

## Media Releases 2003

### Address By Commissioner PJ Gordhan on the occasion of receiving a Management Excellence Award - Address By Commissioner PJ Gordhan on the occasion of receiving a Management Excellence Award

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Prof. Neil Garrod, Dean of the Faculty for Commerce, Law and Management;  
Prof. Adele Thomas, Director of the Wits Business School;  
Honoured Guests

It is important that, as we approach ten years of democracy in South Africa -- to government generally and more specifically to organisations like SARS - we acknowledge the kind of changes our country has witnessed: the smooth transition both politically and economically, and the kind of social harmony, despite the rough edges you would find anywhere in the world, that are prevalent in our own society. These are visible features of the nine years of democracy.

It's been almost ten years during which we have consolidated our democratic institutions; during which we've entrenched our new constitution and the values defined in the constitution, and during which we have begun to get acknowledgement for our public institutions which make a difference to our lives and the lives of millions of South Africans who have been historically marginalised.

As we approach the tenth year of our democracy we also have to prepare for a new wave of transformation -- an economic transformation with black economic empowerment specifically, as the key features of that process. Whether we are the private sector or the public sector, we all face very similar challenges in ensuring that our institutions are responsive to the challenges that we face and are able to grow entirely, both within the South African context and the global context.

We are all in a sense recipients of both a positive and a negative legacy. We all have a diverse heritage within our organisations. And yet we know that as leaders in business and in the public sector that we can't be satisfied with the institutions we have. Unless we transform and develop the ability to be responsive to the challenges in and outside South Africa, we won't survive another ten years as an organisation.

The story of SARS over the last few years is part of the achievements of the first ten years of democracy. An achievement in which all South African taxpayers can share. Our turnaround in SARS is part of the celebrations in government's ability to lead and manage a very huge and complex transitional process. A process which required fundamental changes, changes that many of us may begin to forget now, which have helped to create the institutions that govern our lives today. We may have forgotten that just nine years ago government had inherited 18 (separate) education and welfare departments. SARS itself had to absorb eleven other administrations, as small as they might have been, from the various Bantustans in our country and the so-called tax services which they claimed had existed within the South African Revenue Service at the time. Our change, I believe, symbolises an effective transformation of the apartheid state machinery on the one hand and the consolidation of some of the pivotal institutions of the new democratic order we are all proud of today.

It is, I also believe, testimony to the ability and willingness of millions of South Africans, CEO's and business leaders like yourselves, millions of workers who serve in your industries and businesses, managers, black and white, who have embraced the values of our constitution, who recognise that the new citizenship culture needs to be created and who also realise that if we are to prosper as a South African nation building an effective tax compliance culture is very much part of the common tasks that we face. In this context let me thank all of you for submitting your tax returns for this year.

I've been having a debate with our Auditor-General the last couple of days about the number of outstanding returns we have in South Africa. And he says there are too many. I am saying we must recognise that change is still to come in many areas of our lives in South Africa and one of them is the extent of seriousness with which we regard the submission of our tax returns, either as businesses or as individuals. I believe that the changes we see in SARS is a message from all of us who are honest and hardworking taxpayers, to those who operate what I call on the margins of the gallery, that crime will not pay and that some time or the other, together with your help, we will actually get to you.

I believe that government institutions can and will deliver to the vast majority of honest taxpayers as increasingly demonstrated over the last few years. Our job at SARS is to serve you. Our job is to ensure that businesses and individuals we create a level playing field amongst all South Africans. That nobody has an unfair advantage over another only because they have committed a criminal offence and decided to cut through the tax laws of our society. We only ask -- you might not believe it -- that you contribute your fair share to the tax base of South Africa. I suppose we could spend the rest of the night debating what that fair share could be.

We believe that our responsibility as a revenue service and our mandate is to widen our tax base. I believe we have done so effectively and will continue to do so to ensure the effective defence of the integrity of the tax base in South Africa.

I believe we have begun and will continue to contribute to the development of a new citizenship culture in South Africa, one where we recognise that we're no different from the developed countries in the world, that as taxpayers we owe the same responsibility as an Australian would to the Australian tax office, and that it should become a normal culture to submit our returns, to declare our income and to take only that which you are entitled to as a deduction. I hope you will remember that for the next year.

I believe that as a revenue service under the leadership of the present government, our Minister of Finance and the President, we have increasingly won over more friends than enemies, that we have tried to shift and draw distinction between competitors on the one hand and adversaries on the other hand. I think it is an important distinction that we need to remember in the interaction between ourselves and yourselves.

Changing SARS is a tough task like it is within the economic terrain at this point in time. There are five issues which we've addressed:

- First is the question of how do we cope with our legacy and what does it mean to actually transform South African institutions be they private or public;
- The second is an attempt to create a new South African ecosystem, an ecosystem which is informed by the values of coexistence and symbioses as opposed to the law of the jungle;
- The third is to build a constructive and positive relationship with the business sector;
- The fourth is playing an increasingly positive role both within the Southern African context and indeed in Africa as well;
- And lastly we need to ensure that we continue to build a culture of integrity of good ethics and professionalism within our organisation, a task that we recognise will take us a long time.

In our few years of transformation we have tried to understand the realities that we have to work with on the one hand, but on the other hand also understand that we need to change effectively the business practices that have been, in a sense, part of the bureaucratic organisation for decades. We have to create, if you like, a new interaction and dialectic between customers and business, work with you to create a bolder vision of what we should become as an effective tax and custom administration and increasingly have create more partners than adversaries in the task that we have before us. The second thing is to share with you in some way what it means to create this new organisation, how can we on the one hand understand the constraints of our legacy, but at the same time talk pretty much like the Wits Business School is beginning to do itself, about what is our vision ten twenty years from now within state institutions and for our relationship with yourselves. Ask ourselves what do we hope for as the future South Africa for our children and what are our aspirations and expectations are of the different constituencies that form part of the very diverse South Africa. We raise the question how do we create wealth, how do we create sustainability, how do we ensure the qualitative improvement of the standard of living of the millions of South Africans in a way that is viable on the one hand and symbiotic on the other. How do we create a balance between enriching and empowering the collective on the one hand and the individual on the other hand. How do we reconcile the different interests of our society and engender a more important culture of compliance amongst our people. How do we also at the same time eliminate parasitic behaviour, a lot of which we see in the work that we do.

One of the challenges we face as leaders in private and public institutions is how do we plough more into this country than take out of it. The prospects in many developing countries all over the world suffer in respect of the relationship between the needs of those societies and the economies of those societies.

A question we that have to ask, certainly from a SARS perspective, is what are we going to contribute to ensure that we continue to build our economy, continue to build the wealth of the nation and how to build the tax base, without which we can't undertake many of the changes we want to undertake.

A Peruvian economist offers an interesting quotation which I want to put to you. He says, and his name is Oswaldo de Rivero: "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... "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," and he mentions several others.

"Soon," he says, "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."

A question that we have to ask ourselves is if that is where would want South Africa to be in twenty years time. If we don't, then I think we must take tax much more seriously than we do.

But of importance in the work that we do is our relationship with the business sector. And here, I believe that we are now in a position, more so than ever before – and some of the people we deal with are present here in the audience this evening – to begin to come up with an accord or consensus about how we create a new compliance culture in South Africa. How do we create a new partnership between industries and professionals on the one hand and the SARS and government in general, on the other hand. How can we co-operate like we do with the textile sector and many other sectors in levelling the playing field and defending our economy against smuggling and dumping and other forms of negative economic activity. Our job is to make it easier for business to do business in South Africa. We need to extend electronic filing and many other initiatives we have taken, which I can assure you we will do in order to make it easier for you to operate within the South African context.

Two initiatives in this regard that I can mention is the gradual implementation of the SARS legal corporate office which will service businesses like your own on a multi-disciplinary one-stop basis from about November this year. The second is a Dispute Resolution Process which is unfolding to ensure you don't end up too many legal fees if we have a basis on which we can settle differences between ourselves and yourselves. Equally as important is that we develop the capability to provide certainty in a climate where increasingly black economic empowerment deals of one sort or another and where complex transactions are being entered into which could create uncertainty and unknown risk if we don't get the right kind of co-operation between yourselves and ourselves.

In this context I want to quote my colleague, Michael Carmody, who is the Commissioner of the Australian Tax Office, in respect of what we see as greater accountability as CEO's and board members need to show in respect of tax compliance in their businesses. I will read to you a few of the questions he put forward in a recent publication:

- Are you as a CEO confident that your records and control systems enable your group to keep your tax registrations up to date, pay the correct amount of tax without incurring general interest charges and meet your obligations to supply accurate returns and information when required?
- Are the amounts of tax you are paying and your pattern of tax payments in line with your current and previous business results? Some of you would know that in the last two years we collected a fair amount of money by implementing section 19 (3) of the Income Tax Act which says that your original payments must be in line with your latest financial results, much of which was not being done two years ago by most South African businesses;
- If your group is consistently reporting losses, are they real economic losses and can they be satisfactorily explained in terms of the group's overall performance? You've heard of a guy called Ramsay who recently went to jail and his trade was to actually sell losses to businesses after manufacturing them through all sorts of hoax transactions. Many of our businesses might be unwittingly running foul of these kinds of transactions.
- Finally, are you comfortable that your group is making the necessary changes to its processes and giving proper consideration to major transactions in the context of implementing tax reform?

I believe it is possible for SARS and the corporate sector in South Africa to work a lot more closely, to do work a lot more constructively, to get a more pragmatic understanding of each other and to establish a new modus operandi which will ensure that we guarantee your survival and you can ensure that we can show the Minister of Finance that we have delivered the right kind of revenue at the end of each year.

One example of our role, ladies and gentlemen in Africa, is that next week in Johannesburg SARS and South Africa will host the first African Customs IT Conference where some twenty to thirty countries from Africa and another twenty from elsewhere in the world, including several of the biggest IT operators in the world, will be participating in this conference. And jointly we will be asking ourselves how do we create common systems, common norms and common platforms in order to provide you as business people a much better service with respect to the trade you might be involved in either as importers or exporters.

Finally, while we have done well in SARS we have a long way to go. I don't want to pretend that we have met all our challenges or that we have no problems in meeting those challenges. But I believe certainly that over the last five years or so we have created a platform for more exciting and bolder changes than the ones that we have seen until now. That we will move, if you like, from a policy design to an administrative re-design focus within the next few years and that increasingly we will come to a position where we can cope with uncertainties and the fast moving developments in the global economy that all tax administrations have to cope with.

Interestingly a recent study has shown that tax and customs administrations are in fact at the cutting edge of electronic business developments in government largely because of the pressures the global environment puts on them and the fact that they are the one agency in government that has the most frequently dealings with tax payers. In SARS we hope to learn from both the developing and developed world on how we can match some of the exciting international developments that are taking place on this front at the moment.

I suppose I can't end before I mention the word amnesty. In this regard, one of the questions often put to me is what assurance do we have that SARS is not going to — the word that always come up is witch hunt - unfairly asses us, audit us, pursue us ect. At the moment the Amnesty Unit is both flooded with phone calls and e-mails to clarify people's positions and with applications. We are extremely encouraged by the responses we already have with applications and the positive climate that is developing out there among those who have concerns about this matter. Let me also take this opportunity to ensure you and your families and your friends that it is not our business to be vindictive. This is an opportunity that has been provided by government so that as taxpayers we can sleep easily. So that we can use it as an opportunity to make a clean break with our affairs. And to make a positive and great contribution to restoring the tax base that might have been lost as a result of tax irregularities. And I hope that that can assure people so they can make use of this unique opportunity that South African taxpayers have.

What we have done in SARS would have been impossible if it had not been for the kind of political support that we enjoy. One of the questions tax and custom administrations face throughout the world is when they begin to take on tough entities and take on tough challenges, be it in the private sector or anywhere else, will they have the right kind of political support. I can tell you that from the President, from the Minister of Finance and from their colleagues in Cabinet we had nothing but positive support for the kind of work that we are attempting to do.

Let me then dedicate this award to our corporate tax professionals at the Corporate Tax Centre in Randburg and elsewhere, to the service and processing staff who try to give you a refund as quickly as possible and to the SARS management team that has made the transformation of SARS so possible. I hope that this award will be a boost to the morale of the thousands of people who work tirelessly to ensure that we build our tax base and build a tax morality in South Africa.

I would like to thank the University the Graduate School for Business Administration for honouring SARS with this award. I am told that you strive towards the highest levels of academic excellence in your sphere, I can assure you that we also, in our own humble way, strive for excellence in our sphere where we still have a long way to go.

Thank you very much for this honour.

ENDS.