

National Treasury 2014/15 Budget Vote Speech by Deputy Minister of Finance, Mcebisi Jonas

21 Jul 2014

Honourable members

It is my honour to present to you the overview of the work of the group of Entities reporting to National Treasury, whose activities are a key pillar of our political economy. In this address we will attempt to demonstrate the strategic work National Treasury and its entities do.

We will focus on the South African Revenue Services (SARS), the Development Bank of Southern Africa (DBSA), the Public Investment Corporation (PIC), the Financial Intelligence Centre (FIC), the Financial Services Board (FSB), and the Government Pensions Administration Agency (GPAA).

A well-functioning and stable financial sector is the lifeblood of a modern economy like ours. The Ministry oversees a range of institutions – the Finance Family - that are critical and strategic to the regulation, functioning and stability of the financial sector. The global financial crisis of 2008/09 demonstrated how regulatory failure could cripple economies.

While the effectiveness of our regulators was tested and found to be among the best during the recent crisis, we cannot afford to be complacent. We will continue to work very hard to review and strengthen the regulatory frameworks that are the basis for the supervision of our financial sector. We will be approaching this House with a few pieces of legislation that are aimed at establishing the “Twin Peaks”. These and other reforms will ensure that our financial institutions remain credible and sustainable so that they can support a vibrant and fast growing economy as the NDP envisages.

Context

The National Development Plan has been endorsed as a broad framework towards economic and social transformation. National Treasury and her group of entities will no doubt continue to play a key strategic role in our attempts to attain the objectives of the National Development Plan (NDP). The National Development Plan is a long-term project that must be financed sustainably. This requires a fair and equitable tax system that balances a nation’s economic growth and socio-economic development objectives.

Revenue Management

SARS, as the manager of our tax and customs system, will:

- continue to improve tax and customs compliance,
- protect South Africa’s tax base
- play its part in enhancing regional integration by facilitating trade,
- do its bit in reducing the cost of doing business in South Africa,
- continue to improve customer service by among other things expanding its network of offices.

As its contribution to the ease of doing business in South Africa, SARS has begun the implementation of the first phase of the project to improve the processing of tax clearance certificates.

In May this year SARS introduced the first phase of the single registration process. This will consolidate the registration of taxpayers and traders for their tax and customs products under one single entity. This initiative will also reduce the administrative burden on taxpayers.

The one-stop border post arrangement (OSBP) will reduce the compliance burden on taxpayers, traders and travellers at our ports of entry. SARS and the relevant authorities in Mozambique are at an advanced stage of implementing this project.

The new customs system will, over time, include all the elements in the supply chain. SARS aims to have its points of service (POS) within a reasonable reach of every taxpayer. In this regard, SARS will build additional branches and increase the number of mobile tax units.

SARS is implementing an improved complaints management system and will work closely with the Office of the Tax Ombud to ensure efficient and effective resolution of complaints.

To protect the South African economy from erosion of its tax base, SARS will continue to work with other tax agencies and international organisations on global tax compliance and enforcement issues. South Africa participates in the OECDs initiatives on base erosion and profit shifting, known in short as BEPS.

The efforts to combat tax base erosion are underpinned by access to tax information held in other jurisdictions. In this regard, South Africa is participating in a pilot project, together with forty (40) other jurisdictions, to implement automated exchange of tax information by 2017.

Financial Sector Strength

The Financial Intelligence Centre's (FIC) mandate is to help protect the integrity of South Africa's financial system – keeping it safe from abuse by criminals. Owing to the nature of the FIC's work, and the specialised technical skills it employs, the FIC also contributes greatly to the work of the justice, crime prevention and security sector. Suspicious transaction reports (STRs), which are submitted to the FIC by accountable and reporting institutions, are markers that may indicate the presence of illegally generated funds. During 2013/14, the FIC received 355 369 STRs, an increase of 141 percent from 2012/13 and a total of 623 020 reports have been received over the past five years.

FIC intelligence products spotlighted a range of suspected criminal activities, led by tax-related crime, fraud and money laundering. Although investigations and subsequent action flowing from these referrals remains the domain of the law enforcement authorities, the FIC is aware of having directly contributed to 4 634 investigations over the past five years and supported numerous court applications brought by the state against various criminal syndicates. The FIC contributes to the Asset Forfeiture Unit successes and has assisted in attaching more than R1,1 billion in assets.

During this year the Minister shall be introducing amendments to the FIC Act to bring it up to speed with the changing situation and international standards. Firstly it is proposed that the amendments will allow accountable institutions (designated business subject to the FIC Act, such as banks, financial service providers and others) to adopt a risk-based approach towards meeting the Act's obligations, which will make it easier for banks and others when taking on new customers.

In addition, worldwide, special measures have been taken by countries to identify and oversee the accounts of what have become politically exposed persons (commonly called "PEPs) as well as the

natural “beneficial” owners behind companies. Both of these measures will greatly assist in the fight against corruption as well as introduce new levels of transparency in the financial system.

Development Finance Institutions

Honourable members, National Treasury has Three Development Finance Institutions namely the DBSA, The Land Bank and the PIC. These will play a critical role in the implementation of the NDP. The DBSA will continue to contribute to the government efforts to improve the standard of living of our people through the development of social infrastructure as well as support the growth of our economy. The promotion of regional integration also remains a key focus area for the Bank. The recapitalisation of the Bank that the minister referred to is intended to strengthen this agenda.

The Land Bank continues to ensure that development remains at the centre of its business activities. The launch of the Retail Emerging Markets (REM) division in 2011 and the implementation of Wholesale Finance Facility are the Bank’s drivers of the Development mandate. The Land Bank is now implementing the final stage of its turnaround strategy, which is focused on sustainability.

The Bank’s sustainability business model encapsulates three core business areas; The Retail Commercial Banking (RCB) and Business & Corporate Banking (B&CB) on the other hand, generating income that is used to contribute towards sustaining the Retail Emerging Markets (REM) division. Government funding and multilateral funding are also used to supplement the REM division’s capital requirements.

The Public Investment Corporation (PIC) is a critical institution for increasing the rate of investment by both the Public and Private sectors and transformation of the Financial Services sector. The State as the shareholder will seek to leverage on the R1.6 Trillion assets under management by the PIC. PIC will embark on a program to engage all spheres of government with an aim of collaborating on key investment programmes.

National Treasury and the Government Pensions Administration Agency (GPAA) will continue to work on strengthening our laws governing pensions. This is critical during this recovery phase in the global financial systems. The Financial Services Board, on the other hand, continues to prepare for a new life and an extended mandate as part of the Market Conduct Regulator in terms of the “twin Peaks regulatory regime.

In conclusion

Madam Speaker, National Treasury and its entities are posed to continue to play a critical and strategic role in the implementation of the National Development Plan and ensuring that the economy functions effectively. For this to happen all of us need to agree on a minimum program for transforming our country. The NDP in our view provides this minimum programme.

I thank you.

Issued by: [National Treasury](#)