

Suspensions raise fears SARS could miss targets

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Instability within the South African Revenue Service (SARS) has prompted fears about its ability to meet demanding revenue targets in the midst of slow economic growth and enormous pressures on government finances.



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SARS has been a strong anchor of sound management in the government and has excelled in meeting its revenue targets in difficult circumstances. It now faces its most difficult challenge yet - to raise R957bn in taxes while growth limps along at a projected rate of 1.4% this year.

But the organisation has been rocked by the suspension of two top executives and the departure of another. Morale is said to be at rock bottom, with talk that there might be further resignations of experienced staff.

Last week saw the resignation of chief operations officer Barry Hore, who, since 2007, was the driving force behind the modernisation of SARS' information technology, and the introduction of e-filing and automated systems. This was followed on Friday by the suspension of former acting commissioner Ivan Pillay and strategic planning executive Peter Richer.

Damaged reputation and a purge?

These events come in the wake of the dissolution of the SARS executive committee by new commissioner Thomas Moyane, who was appointed by President Jacob Zuma and took up his post in late September. He is now responsible for all decision making within the organisation, which has been struggling to repair its reputation since former commissioner Oupa Magashula left in disgrace a little more than a year ago following an investigation into his propriety.

Some insiders fear officials with allegiance to former commissioner and former finance minister Pravin Gordhan are being purged.

They point to one of the recommendations of the panel that investigated the activities of a secret intelligence unit within SARS in which Pillay and Richer were allegedly involved.

The panel, led by advocate Muzi Sikhakhane SC, recommended "SARS should conduct a forensic investigation into all the settlements concluded with taxpayers that had been under investigation since 2005", suggesting that there were suspicions of impropriety.

Pillay's points

Pillay said late on Friday evening that he considered the panel to have erred in matters of law and fact.

"I have indicated as much to the commissioner. I will respond to the allegations against me at any formal forum chosen by the commissioner to hear the allegations. I look forward to the opportunity to challenge any allegation against me of unlawful conduct, misconduct and impropriety based on SARS policies."

He emphasised that SARS had been one of the most important institutions to support SA's development goals.

"SARS has carried out its work without fear or favour and without regard to political considerations. It is incumbent on all that have the country's interest at heart to act in a way that strengthens rather than weaken SARS," Pillay said.

There were no other suspensions but it is clear that Moyane is on the warpath and has set his sights on members of the executive committee who may have known about or been directly involved with the activities of the unit, which allegedly spied on Zuma and ran a brothel. Insiders fear, however, that his approach will damage the institutional fabric of the organisation.

Shake-up no concern 'at the moment'

Standard & Poor's sub-Saharan Africa MD Konrad Reuss said the shake-up at SARS was not a concern at the moment. The focus was more on SA's poor economic performance and the slippage on fiscal targets.

Efficient Group chief economist Dawie Roodt also insisted that SARS was very far from being a weak, inefficient tax authority, especially as most of its tax collection systems were automatic and self-correcting.

South African Institute of Tax Professionals CEO Stiaan Klue predicted more leadership changes at SARS. He said on Friday the problem was that "too many heads sprung up" at SARS after Gordhan left in 2009 after 10 years at the helm to become finance minister.

"Senior people at SARS were not happy about Moyane's appointment. Now the new broom is cleaning up."

Deloitte tax partner Billy Joubert said it was "disappointing that this type of thing goes on".

But he said it did not mean that the entire organisation should be painted with the same brush.

Covert operation

Klue said the challenge for the new commissioner would be to build his own leadership team that solidified SARS as a credible institution once again.

Moyane said in a statement that the panel - ironically set up by Pillay when allegations against the unit first surfaced - had found that there had been the unlawful establishment of a unit that operated ostensibly in a covert manner and created a climate of intrigue, fear and subterfuge in the organisation.

He had received the report from Sikhakhane on November 5 and made the findings known to Finance Minister Nhlanhla Nene.

Friday's action follows the suspension of SARS investigator Johan van Loggerenberg last month following revelations in the media of the rogue intelligence unit. The unit was allegedly set up as far back as 2007 to penetrate smuggling syndicates, including those dealing in rhino horns. Van Loggerenberg remains on suspension and is involved in a formal disciplinary process in accordance with the Labour Relations Act.

Source: *Business Day*, via I-Net Bridge

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