

## Sars takes on the rich and corporates' offshore misdemeanours

The Receiver of Revenue grows its information on wealthy and corporates evading taxes.

Monique Vanek

Posted: Mon, 11 Sep 2006 08:00 | © Moneyweb Holdings Limited, 1997-2006

South Africa's annual tax gap is estimated to be between R10bn and R30bn, largely due to international evasion and avoidance by corporates. The worldwide tax gap due to these activities is estimated to be US\$255bn. But the South African Revenue Service (Sars) is not letting this pass it by.

It is in the beginning stages of investigating tax fraud and foreign exchange contraventions among high-net-worth individuals, says Sars spokesperson Adrian Lackay, and is examining the tax affairs of the 150 richest South Africans. One of its most prominent cases has been that of Dave King, accused of tax fraud, racketeering and foreign exchange contraventions.

Sars has attached every asset that it believes belongs to King, the founder of IT company Specialised Outsourcing, including foreign assets worth millions of rands.

In 2004, Revenue set up the Large Business Centre in Megawatt Park, Sunninghill, to examine the tax affairs of corporates more closely, adds Lackay.

Sars also subscribes to the **Tax Justice Network** (TJN) which aims to: create a tax system favourable to poor people through public debate and education; raise the level of awareness about the secretive world of offshore finance; promote links between interested parties around the world, particularly involving developing countries; and encourage and support national and international campaign activity.

Revenue is using TJN's information to understand international tax trends, tax evasion and avoidance, and examine how money is hidden, says Lackay.

TJN "brings together organisations, social movements and individuals working for international tax co-operation and against tax evasion and competition", says a report released by the organisation called "tax us if you can".

According to TJN, tax revenue lost due to international evasion and avoidance forces governments to reduce public spending and/or increase taxation on less mobile small companies or poorer individuals, which is harmful to developing countries where governments spending is vital to finance sustainable development and poverty reduction.

Other information that can be gleaned from the report is the immensity of capital flight to tax havens: US\$11,5trn of personal wealth was held offshore by rich individuals to either minimise tax or avoid paying it. Most of this wealth is being managed from about 70 tax havens.

If the income from this wealth, notes the report, "was charged to tax in the countries where those rich individuals are resident or derived their wealth, the additional tax revenue to fund public services and investments around the world would be about US\$225bn annually". This amount, says the report, would more than plug the financing gap to achieve the United Nation's Millenium Development Goal of halving world poverty by 2015.

*This story first appeared in Moneyweb Business in the Citizen*