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3 March 2025

TO: The Minister of Finance
Mr. E. Godongwana

PER: (Email) [redacted]

AND TO: [redacted]

Dear Minister Godongwana

YOUR TAX INPUT CHALLENGE IS NOT INSURMOUNTABLE—BOLD LEADERSHIP IS REQUIRED

Minister, we recognise the immense pressure you face as the custodian of South Africa's financial future. You are weighed down by years of imprudent financial management, with a tax payer base that is stretched to its limit.

The over-reliance on borrowing and raising taxes has left little room to manoeuvre. The reality is clear: South Africa has reached, if not surpassed, its tax collection ceiling. There is little left to extract from taxpayers, and any increase to VAT must be an absolute last resort.

For too long, the Finance Ministry has been trapped in a cycle of empty assurances, promising economic prosperity, job creation and debt reduction while resorting to higher taxes and deeper debt. And yet these promises continue to ring hollow. Taxes go up, our national debt grows and economic growth remains stagnant.

The real issue is being ignored. Corruption, inefficiency and financial mismanagement are the true barriers to progress, yet they are not being tackled with the urgency they demand. National Treasury, your office and cabinet, must introduce a new tack and embrace a bold, decisive strategy that prioritises accountability, fiscal discipline, and strategic resource management.

The days of tolerating wasteful and unnecessary expenditure, inefficient processes and uncollected revenues are over. South Africa needs leadership that stops the bleeding – governance that not only maximises revenue collection but also aggressively cuts wasteful expenditure and eradicates corruption which drains billions from our economy each year.

A Call for Financial Prudence and Reform

Minister, you have the power to change course. A sustainable financial future requires a combination of revenue optimisation, cost reduction and effective debt management strategies.

Structural reforms and policies to stimulate investment and economic growth are critical for long-term fiscal sustainability, but they must be matched by immediate, decisive changes in how public funds are managed and allocated. If South Africa embraces a culture of fiscal responsibility, future Ministers of Finance will be under far less pressure to raise taxes, while still reducing the national debt burden that is holding our country back.

As the steward of the nation's treasury, you have the authority and the opportunity to drive this crucial shift. Such leadership will be met with the full support of the public, as well as the backing of the President – if only the political will exists.

We have identified in Annexure 1, eleven areas that, if implemented with commitment and urgency, could conservatively generate savings and additional revenue of over R650 billion within two years, and approximately R500 billion annually thereafter, far exceeding the R50 to R60 billion that a 2% VAT hike would bring.

We would be happy to engage with you on these matters and would be honoured to assist in charting the course ahead. The question is: will this administration finally take the bold steps South Africa desperately needs?

Yours sincerely

Wayne Duvenage
Chief Executive Officer
Organisation Undoing Tax Abuse
[redacted]

ANNEXURE 1

#	OUTA Suggetions to Improve South Africa's National Treasury Financials	Rands x Billion	
#	**Input**	**Est Recovery Short Term (Yrs 1-2)**	**Est Recovery / Annum beyond Yr 2**
1	**Tighten Tax Collection & Enforcement** In this area, there has been much spoken about strengthening SARS to address under-invoicing; customs fraud; tax evasion by high-net-worth individuals and corporations and; illicit financial flows. We believe there are significant tax-gains to be made in this area, as much as R700bn in the short term and R450bn per annum thereafter, as suggested by Edward Kieswetter. Being conservative in our estimations at 75%, this is the additional revenue to be collected by SARS.	R525.0	R337.5
2	**Broaden Tax Base**		
	Introducing taxation to the Taxi Industry and taking a 75% conservative approach, we estimate the following income to Treasury.	R2.0	R9.2
	Address opportunities to formalise taxation of parts of the Informal Sector and expand tax compliance through digital integration. Conservative additional earnings:	R2.0	R3.8
3	**Cut Non-Essential Government Spending**		
	We realise from your media engagement in February, that you are not a fan of Zero-Based Budgeting (ZBB). However, it is a meaningful way to have Government departments justify all contractual and rental / lease contracts, especially after decades of above CPI related increases applied to so many contracted services, consultants, systems and property leases over time. Place a freeze on all non-critical government hiring and scrutinize all consultancy fees, whilst terminating all unnecessary and wasteful contracts.	R5.0	R10.0
	Public Sector Wage Bill Rationalization by implement performance-based pay structures, freeze salary increases for top earners in government and reduce the size of cabinet as well as the number of Deputy Ministerial positions.		R2.0
	Review VIP protection and luxury perks for government officials. We're not suggesting these security measures should be cancelled, however a review of the approximately R4 bn pa for Protection and Security Services could be reasonably reduce by 20%.	R0.8	R0.8
4	**Recover State Capture & Corruption Funds** Capacitate and expedite Asset Forfeiture Unit (AFU), NPA, SIU, the Public Protector, the courts and other meaningful structures within the criminal justice system, to aggresively pursue recovery of looted state funds, plus high-profile and criminal syndicate prosecutions. Simultaneously, introducing whistleblower protection and incentives to expose financial crimes.	R10.0	
5	**Release Accumulated Surpluses Built up in many State Entities** Many SOE's and State departments have quietly accumulated surpluses over many years. Government departments are not supposed to accumulate surpluses over extended periods. In October 2024, OUTA's scan of the annual reports of 26 entities within the Department of Higher Education alone, established a collective **R55,5 billion** in accumulated surpluses. There are many more with surpluses that could be justified in their release to National Treasury	R41.6	R8.3
6	**Revisit Skills Development Levies (SDL) allocations to SETA's** As much as R16 billion is budgeted in SDL allocation in the 2025 tax year (up from R11,8 billion a decade ago), to SETA's. The value to the economy of the current SDL program appears to be underperforming, as this spending appears to have no effect on the unemployment rate over the past decade. OUTA's work in the SETA environment has uncovered significant corruption and wasteful expenditure over the past few years. We estimate Treasury could trim the allocation of 25% of SDL to SETA's without harming their output, or their ability to serve the country with meaningful skills development. This would release R4 billion back to NT per annum	R4.0	R4.0
5	**Revisit National Skills Fund Expenditure** In just one year of 2024, the Auditor General highlighted **R1,7 billion** spending that lacked adequate evidence in the National Skills Funds (NSF). This is a significant portion of the R3,9 billion allocated to NSF that year. We believe a prudent spending regieme could enable a reduction in allocations of around R1bn pa to the NSF, without harming output.	R1.0	R1.0
6	**Revisit NSFAS Allocations & Expenditure** Concerns of wasteful and inefficient spending in NSFAS runs into several Billions of rands, with an average of R5 billion (or **R1 bn pa**) identified by the Special Investigations Unit (SIU) of incorrect NSFAS paid over to 40,000 students between 2017 and 2022. In addition over R250 million per annum is lost to fraud through the enrolment of "ghost learners" and other corruption and maladministration.	R1.3	R1.3
7	**Increase Sin Taxes:** Given the tight spot we are currently in, you may want to consider raising taxes on alcohol, tobacco, and sugary drinks. A 10% increase in these taxes could generate roughly R3bn in taxes, after the reduction in sales from a price elasticity factor applied.	R3.0	R3.0
8	**Sell Underutilized State Assets:** This is also the time for Government to identify and sell underperforming or unnecessary state-owned assets such as: non-strategic properties; non-core SOE's (SAA, Denel etc); land and buildings	R5.0	
	Take this opportunity to also look at leasing high-value state land for commercial use.		R1.0
9	**Address Mismanagement of Municipal Conditional Grants / Bailouts** Treasury should apply stricter conditional funding to Municipalities, based on strict governance and turnaround commitments by: a) Strengthening financial oversight and monitoring through real time expenditure tracking and centralised digital monitoring, regular audits and conditions for release of funds. b) Better consequence management & enforcement. c) Introduce centralised municipal capacity and skills enhancement program. d) Engage with civil society to improve transparency through organised mechanisms and community based monitoring. We believe a definitive focus in this space could reduce wasteful expenditure and losses by R10bn pa in a couple of years.	R5.0	R10.0
10	**Clamp Down on Government Procurement Corruption and Wasteful Expenditure** The implementation of **e-procurement systems** that ensure full transparency is long overdue. Reports from the Auditor-General (AGSA), National Treasury, and independent research institutions suggest that losses amount to at least R200 billion pa, due to corruption, inefficiency, and wasteful expenditure in procurement. An advanced e-procurement platformcould eliminating bid-rigging and inflated pricing; prevent politically connected tender manipulation; allow public scrutiny and whistleblower input and; ensuring supplier compliance and tracking project completion. Even if only 25% savings could be achieved in the next two years and 50% thereof thereafter (as indicated alongside), this will be significant for the country. The AGSA's reports show that just four culprits in this space are: a). **Transport:** Addressing wasteful spending and cost saving initiatives in the Transport Sector alone (Sanral, Prasa, Transnet, Government Fleet management and Public Transport subsidies), could give rise to R20 billion savings per annum. b). **The Education** sector is estimated to have R15 billion savings potential, if attention is paid to: bloated administration; ghost learners; learning material procurement; school infrastructure costs and; poor management in deployment of teachers. c). The **Higher Education Department** has a further estimated R12 billion to be saved and / or recovered, if attention was paid to NSFAS bursary corruption, inefficient University Spending and duplicated Training and SETA waste. d). **Health:** A further R20 billion is estimated to be available in reducing wasteful expenditure in the Health sector, largely through overpricing and corruption in procurement, overstaffed administration, management and inefficiencies in Government hospitals and fraudulent medical claims.	R50.0	R100.0
11	**Review the rules, fees and controls applied to Government Entity Boards** OUTA's experience and research show a vast range in the **<u>size</u>** of many boards appointed to oversee many Government entities and state companies, along with the **<u>number of meetings</u>** these entities are involved in, and the **<u>exorbitant fees</u>** they earn for board meetings. In many instances, Government entity boards have become employment agencies for people connected to dubious procurement practices and lack the necessary independence or expertise to fulfil their oversight duties and responsibilities. Stricter rulesand regulatort enforcement needs to be applied, with potential savings for the nation.	R0.2	R0.3
	TOTAL	**R655.8**	**R492.1**