



## SACU receipts boost fiscal revenues

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The Southern African Customs Union (SACU) revenue growth has been in contraction between 2020 and 2022. In 2020, the Covid-19 induced trade shock reduced the flow of trade in the region and consequently the customs and excise revenue collected. SACU revenues for any year are typically calculated in December of the prior year, based on projections. However, Should the realized revenues come in lower than what was projected, the member countries are required to reimburse the pool with the overallocation over a period of two years. Therefore in 2021 and 2022, the member countries were obliged to repay into the pool what was overallocated in 2020 (the calculation was done in December 2019 and therefore did not account for the Covid-19 shock).

In the 2023/24 National Budget tabled by the Finance Minister, SACU revenues are now expected to increase substantially by 71.6% from N\$14.2bn in FY2022/23 to N\$24.3bn in FY2023/24. "This is a welcome relief to the fiscus as it provides an upside to government revenue which is expected to increase by 16.5% from N\$64.1bn in FY22/23 to N\$74.7bn in FY23/24. A breakdown of revenue sources shows that SACU receipts will now account for 32.6% of the total revenue for FY23/24 – making them the single largest source of revenue for the Namibian government" says Ruusa Nandago, FirstRand Namibia Economist.

"In the last decade alone, there have been three SACU revenue shocks (in 2010/11, 2016/17 and 2020/21). Given the volatile nature of SACU revenues and the fact that they are often driven by external factors outside member countries' control, an overreliance on this source of revenue can complicate fiscal management and undermine fiscal consolidation efforts. It is therefore important that the government continues to broaden the domestic tax base and diversify its source of revenue. Encouragingly, the Minister highlighted in his speech that the government plans to boost domestic tax revenue collection through tax administration reforms aimed at improving tax compliance and collections on tax arrears. Such reforms, if combined with wider structural reforms in the business environment, will go a long way in widening the net of government revenues and stabilizing the fiscus" she adds.

The Southern African Customs Union is the oldest customs union in the world, established in 1910 between five member states: Botswana, Eswatini, Lesotho, Namibia and South Africa. The Union allows for these five countries to share trade related customs and excise revenue and for the free movement of goods and services within the Union. All customs and excise duties are collected in a Common Revenue Pool and shared among the countries according to a revenue sharing formula.



South Africa is the largest contributor to the pool, making up 97% of the total contribution, followed by Namibia at 1.4%, Botswana at 1.0%, Lesotho at 0.4% and Eswatini at 0.2%.

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