

TO: ALL MEDIA
ATTENTION: NEWS EDITORS
DATE: 06 AUGUST 2024
FOR IMMEDIATE RELEASE

GAUTENG DEPARTMENT OF ECONOMIC DEVELOPMENT MAKES A PLEA TO THE RESERVE BANK TO PREVENT LIQUIDATION OF THE DRIP GROUP (PTY) LTD

The Gauteng MEC for Finance and Economic Development, Lebogang Maile, has written to the Governor of the South African Reserve Bank (SARB), Lesetja Kganyago, to request a rehabilitative intervention for The Drip Group (Pty) Ltd that is currently facing challenges of non-compliance with domestic tax laws. In the letter to the Governor, the MEC has expressed unwavering respect and commitment to the rule of law, which extends to the respect of the investigative process that the SARB has undertaken in its legal matter with the company that is under investigation for the contravention of the provisions of the Exchange Control Regulations, made under section 9 of the Currency and Exchanges Act, 1933 (Act No. 9 of 1933). The investigation, instituted by the Financial Surveillance Department (FinSurv) of SARB, has been ongoing for just over two years. The MEC has communicated that in respecting the rule of law and wanting to maintain the very crucial principle of the separation of powers, it's important that the law should never be punitive but rather, rehabilitative. When the law is rehabilitative, it makes allowance for business owners, particularly of SMMEs, to understand the depths of tax laws and other laws, which most are not exposed to and as a result, place their complete faith in third parties who, unfortunately, can take advantage of this limited understanding. This, sadly, has happened to many SMMEs, including The Drip Group. Many SMMEs do not survive such challenges and this is a contributing factor for why between 70 and 80 percent of them fail within the first five years.

MEC Maile is of the belief that the government of Gauteng has an obligation to help businesses in the province in material and non-material ways. He states: "We cannot sit back and watch The Drip Group (Pty) Ltd, a company founded in the township of Ivory Park by a young Black man who had the odds stacked against him, be liquidated. The company provides employment to hundreds of people, many of them from historically disadvantaged groups that include women and youth. As a government, we must do everything possible to provide the necessary support to The Drip Group and other SMMEs that are facing challenges, particularly when such challenges arise from failures of compliance with legislation, which is not the same thing as blatant and intentional criminality".

The intervention by the MEC is guided by a commitment to the Township Economy Development Act (TEDA). The Act, which came into law in 2022, seeks to facilitate and promote inclusive economic growth along a transformative paradigm in order to build a cohesive and more equal society which is underpinned by a growing and inclusive economy that harnesses the potential of all people in the republic who reside in Gauteng. Among other

things, it places as one of its key priorities the assistance of enterprises established in townships. It recognises the significant challenges that such enterprises face, including but not limited to the challenge of inadequate tax education on the part of township business founders. MEC Maile contends: “We have an obligation to equip such businesses with the necessary skills and ask that the government, private sector, and civil society all play their part in helping these businesses succeed. Part of what that demands is that institutions such as SARB also assist us to equip these businesses with the requisite knowledge and skills rather than to apply a punitive approach. In this way, we can ensure the sustainability and survival of township businesses and SMMEs broadly, thereby growing and developing the provincial economy to the benefit of all the people of Gauteng”.

Issued by the Gauteng Department of Economic Development. For more information, please contact Castro Ngobese, Spokesperson for the MEC of Finance and Economic Development on castro.ngobese@gauteng.gov.za or 060 997 7790