SARS Customs and Other Government Agencies: Latest Developments

Presented by: Clifford Evans

Customs Liaison Manager, Berry & Donaldson

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Any opinions contained in this presentation are those of the presenter only.

New Customs Act Program (NCAP)

- The Customs and Excise Act, 1964 (Act No. 91 of 1964) will be replaced by the Customs Control Act No.31 of 2014, the Customs Duty Act No. 30 of 2014 and the Excise Duty Act No. 91 of 1964.

- The current Act consists of 122 sections incorporated into 12 chapters with a further 10 schedules to the Act.

- The new Acts consist of 1 173 sections in 61 chapters with 54 chapters of rules.

- The new Acts were assented to in 2014 but will only take effect on a date determined by the President by proclamation (2025 to 2028 indicated by SARS)

- Key elements of the new Acts are being rolled out by amending the current Act and Rules
  i.   RCG – Reporting Cargo & Conveyances (E-Penalties went live 01 August 2022)
  ii.   RLA – Registration Licensing & Accreditation (on-boarding must be finalized by March 2023)
  iii. DPS – Declaration Processing System (not rolled out as yet)

NCAP *cont.*

Some good things 🙂

- Licensing & Registration is now electronic via e-filing
- Publication of TDN's is in progress
- Automation of specific types of Refunds and Drawbacks is delayed
- Penalty Guidelines have been published
- AEO Program enhancements are in progress to include all client types

Some not so good things ☹

- Two year time frame for refunds remains in place > NCAP provides for three years
- Concessions remain in place > NCAP provides for incomplete and provisional declarations
- Current Bond Store policy remains in effect > NCAP provides for simplified procedures
- Current deferment policy remains in effect > NCAP provides for new 'user friendly' model
- Policy and Procedures are still enforced in terms of the current Act, not NCAP.

Food for thought: *Are the new Customs Acts out of date before they have even come into effect????*

Customs Modernization Program

CMP Journey to Date

December 2021
Project prioritization and integrated conceptual designs.

September 2021
Project Managers assigned
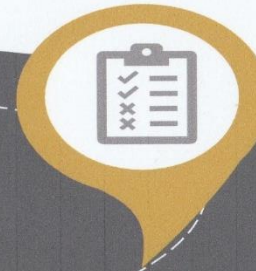
August 2021
Business Case Approval

2nd Qtr 2022/23
- Advanced Import Payments
- Automation of Bonds
- Customs Connectivity
- SMART Borders - procurement

January 2022
Projects kick-started

4th Qtr
- SMART Borders
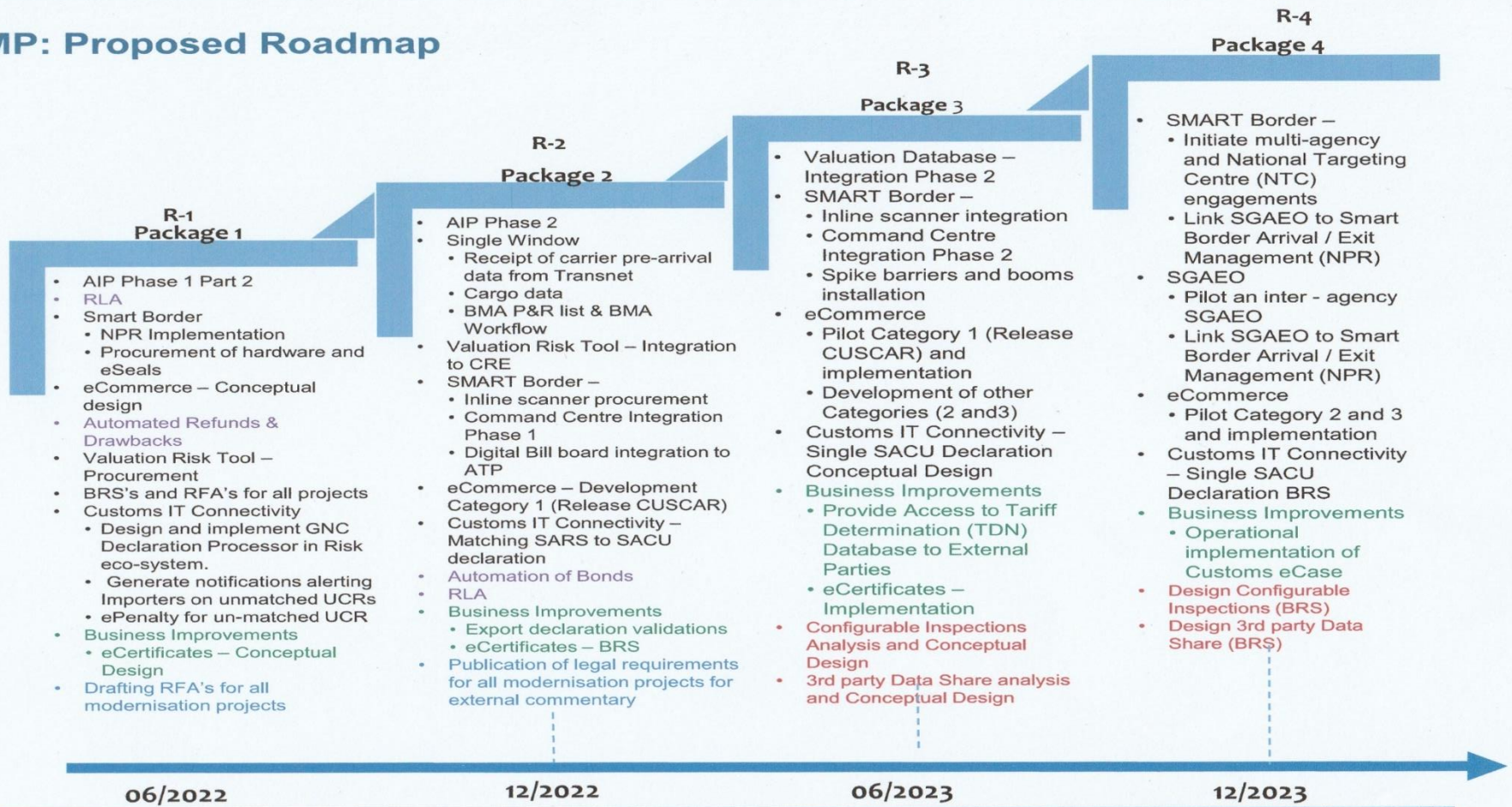- Single Window – 1 OGA workflow implemented

3rd Qtr 2022
- Automated Refunds & Drawbacks
- RLA – project 1
- Air Passenger Tax
- Customs Cadet intake

CMP *cont.*

CMP: Proposed Roadmap

R-1 Package 1
- AIP Phase 1 Part 2
- RLA
- Smart Border
  - NPR Implementation
  - Procurement of hardware and eSeals
- eCommerce – Conceptual design
- Automated Refunds & Drawbacks
- Valuation Risk Tool – Procurement
- BRS's and RFA's for all projects
- Customs IT Connectivity
  - Design and implement GNC Declaration Processor in Risk eco-system.
  - Generate notifications alerting Importers on unmatched UCRs
  - ePenalty for un-matched UCR
- Business Improvements
  - eCertificates – Conceptual Design
- Drafting RFA's for all modernisation projects

R-2 Package 2
- AIP Phase 2
- Single Window
  - Receipt of carrier pre-arrival data from Transnet
  - Cargo data
  - BMA P&R list & BMA Workflow
- Valuation Risk Tool – Integration to CRE
- SMART Border –
  - Inline scanner procurement
  - Command Centre Integration Phase 1
  - Digital Bill board integration to ATP
- eCommerce – Development Category 1 (Release CUSCAR)
- Customs IT Connectivity – Matching SARS to SACU declaration
- Automation of Bonds
- RLA
- Business Improvements
  - Export declaration validations
  - eCertificates – BRS
- Publication of legal requirements for all modernisation projects for external commentary

R-3 Package 3
- Valuation Database – Integration Phase 2
- SMART Border –
  - Inline scanner integration
  - Command Centre Integration Phase 2
  - Spike barriers and booms installation
- eCommerce
  - Pilot Category 1 (Release CUSCAR) and implementation
  - Development of other Categories (2 and3)
- Customs IT Connectivity – Single SACU Declaration Conceptual Design
- Business Improvements
  - Provide Access to Tariff Determination (TDN) Database to External Parties
  - eCertificates – Implementation
- Configurable Inspections Analysis and Conceptual Design
- 3rd party Data Share analysis and Conceptual Design

R-4 Package 4
- SMART Border –
  - Initiate multi-agency and National Targeting Centre (NTC) engagements
  - Link SGAEO to Smart Border Arrival / Exit Management (NPR)
- SGAEO
  - Pilot an inter - agency SGAEO
  - Link SGAEO to Smart Border Arrival / Exit Management (NPR)
- eCommerce
  - Pilot Category 2 and 3 and implementation
- Customs IT Connectivity – Single SACU Declaration BRS
- Business Improvements
  - Operational implementation of Customs eCase
- Design Configurable Inspections (BRS)
- Design 3rd party Data Share (BRS)

| 06/2022 | 12/2022 | 06/2023 | 12/2023 |

R = Release   **Assumption:** 6 Monthly release implementation cycle

SARS
South African Revenue Service

Smart Borders

- The One-Stop Border Post policy has become unfeasible, outdated and impractical.

- Smart Borders focuses on a move towards a technology-driven environment that facilitates and expedites the movement of people and goods across borders while maintaining and enhancing controls.

- Incorporates an Automated Number Plate Recognition (ANPR) system. ANPR active at 6 border posts.

- A Smart Borders Command Centre will be established as a coordinated surveillance area to ensure increased Customs compliance (Phase 1 by end 2022).

- Ultimate goal is for goods to cross borders without physical intervention unless deliberate crime is detected.

- June 2025 – convert Beit Bridge into fully automated Smart Border (ANRP already implemented 2021).

- December 2025 – roll out to convert remaining borders to fully automated Smart Borders.

FOREIGN COUNTRY

SOUTH AFRICA

INBOUND
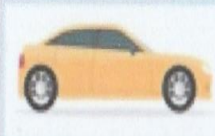
Perform Arrival Processing

GO

GREEN CHANNEL

GREEN CHANNEL

Perform Exit Processing

FOREIGN COUNTRY

Arrival Processing & Passport Control

Validation Database

Exit Processing & Passport Control

STOP
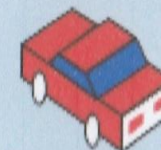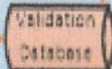
RED CHANNEL

Perform Customs Inspection

Physical Inspection & Scanner Bay

YIELD

Validation Database
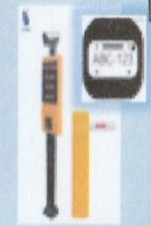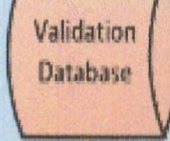
OUTBOUND

SOUTH AFRICA

LEGEND:
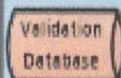
Validation Database	Database
ABC-123	Number Plate Recorder
(detector dog icon)	Detector Dog
(CCTV icon)	CCTV/ Boom Gate
(parking bay icon)	Parking Bay
(building icon)	Customs & OGA

Scope Items

| eSeals and Readers	Inline Scanner
Body Cameras	Integration with Command Centre
Joint Inspections	Bonds
3rd Party Data	National Trgeting Centre

Border Management Authority

- BMA Bill was proposed by Cabinet 2013, introduced to Parliament May 2016 and passed June 2017.

- Bill was heavily opposed. Members of Parliament quoted as saying "one of the worst pieces of legislation to ever hit the House" and "once just a stupid idea, now an insane reality"

- Bill passed by both Houses and sent to President for assent 3 March 2020. BMA Act was signed into law by the President in July 2020. (The first 200 guards were deployed in July but the BMA Act was only gazetted in August)????

- Bill provides for the establishment of a single border control authority under the Department of Home Affairs incorporating DAFF, Port Health, DTI, Environmental Affairs and Transport. Excluded from the BMA are SARS, SAPS and the SANDF.

- The BMA will establish an inter-ministerial committee and a Border Technical Committee.

- Article 3 of the Act states: *The object of this Act is to establish and empower the Authority to achieve integrated border law enforcement….. and co-ordination of border management matters in general.*
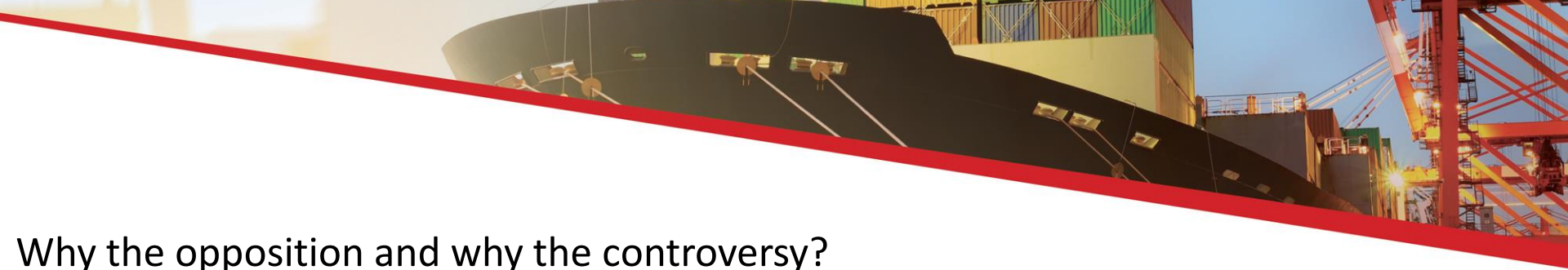
Why the opposition and why the controversy?

- The concept was good in 2013 but is no longer relevant
- The Department Home Affairs is the least equipped OGA for this function
- "border law enforcement area" means a distance of 10 km or any reasonable distance inside the internationally recognized border of the Republic
- BMA guards will be armed and have the power to arrest, same powers as the Commissioner of Police.
- *Cost to implement: between R3.8 billion and R10.2 billion over 15 years – probably a vast underestimate. R124.9 million allocated to kit BMA staff with uniforms, launch a brand for the Authority and acquire 15 Toyota Land Cruisers.*

Personal observations:
If the SANDF is responsible for protecting our borders, SAPS is responsible for crime and SARS is responsible for the collection of revenue, then why do we need the BMA?

If SARS is implementing Smart Borders and a National Single Window, then why do we need the BMA?

The establishment of the BMA has not reduced the number of OGA's but added another one creating an even more complex border environment.

The Single Window concept

<u>Practical definition:</u> *Provides one 'entrance' for the submission and handling of all data and documents related to the release and clearance of an international transaction. This 'entrance' is managed by one agency which informs the other appropriate agencies, and/or directs combined controls.*

- In terms of current Customs legislation, SARS Customs acts as an agent for other state departments.
- OGA's: NRCS, Plant Inspector, Port Health, State Vet, DAFF, ITAC, SAPS, DEA, MCC, NCC.
- Rules to the new Customs Control Act states that SARS will be the final Release Authority.
- SARS is legally mandated to enforce the use of EDI (Electronic Data Interchange) for the submission of certain goods declarations and reports.

CASE STUDY 1. Singapore established the world's first national single window in 1989 bringing together more that 35 border agencies (OGA's). Document processing time reduced from 4 days to 15 minutes.

CASE STUDY 2. Korea Customs Service estimates that the introduction of it's trade single window brought $18 million in benefits in 2010. Brought together 69 OGA's and private sector operators.

CASE STUDY 3. ASEAN (Association of South East Asian Nations) was the first regional community to conceptualize a regional single window project.

The Single Window concept *cont.*

Vision: To create an electronic single window linking the entire logistics supply chain to all government agencies directly connected to facilitating international trade.

How: Using SARS as the single entry point to inform all other agencies via the EDI platform.

Benefits: Reduce time constraints, reduce cost, reduce non-tariff trade barriers, avoid manual and duplicate interventions, faster clearance and release, improved use of resources and business efficiency, import and export data only submitted once, improve international trade facilitation to enhance the economic performance of the country.

Possible process flow: Registration/Regulatory Authorization **>** Application/Issue of Licenses, Permits, Certificates etc. **>** Advance Information **>** Cargo Declaration **>** Temporary Storage **>** Goods Declaration **>** Duty and Fees Collection **>** Physical Inspection **>** Goods Release **>** Post Clearance Review

Status: Phase 1 (end 2022) – receipt of carrier pre-arrival data from Transnet, cargo data and establish P&R, BMA workflow.
        Phase 2 – OGA Portal for Permits and Certificates, incorporate RLA, Declarations, AEO, Payments/Refunds, Trade Reports and Trader Applications (Permits and Certificates)

clifforde@berrydon.co.za

Thank you for your attention.

Q & A