customs connect

Welcome to the second Customs Connect for 2011. In this issue we look back at 2011 and what we've achieved under the Customs Modernisation Programme this year. We also take a look at what to expect in 2012, kicking off with various changes which will be piloted at the Kopfontein border post early next year.

What you can expect in 2012…

A number of exciting changes are expected to take place under the Customs Modernisation Programme in 2012, some building on the gains of 2011 and others brand new to the Customs environment.

More…

Customs Modernisation: milestones of 2011

The SARS Customs Modernisation Programme has gained tremendous momentum during 2011 and has in many ways totally transformed the way trade is conducted in South Africa.

More…

Changes at BLNS border posts

Massive changes will take place at the Botswana, Lesotho, Namibia and Swaziland (BLNS) border posts in 2012, starting with Kopfontein on the Botswana border.

More…

New Customs processes at SA border posts

A new passenger processing system, aimed at simplifying the processes for traveller declarations and payments and enhancing Customs controls, will be introduced at South African border posts next year.

More…

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SARS
At Your Service

What you can expect in 2012 …

Here are some of the main Customs Modernisation changes that you can expect in 2012:

1. **Rollout of a new workflow system, declaration and inspection process at SACU border posts:** Following requests from industry and the need to align the SACU clearance process with that of international clearances, SARS has now focused its efforts on the SACU borders. This has led to SARS building new solutions and processes which we aim to pilot in Kopfontein early in 2012, followed by the other Botswana border posts, then Swaziland, Lesotho and Namibia. Click here to read more about these changes…

2. **Introduction of a new Passenger Processing solution and payment process for travellers:** A new Passenger Processing solution is being introduced at all ports of entry, starting with Kopfontein. Key changes include the introduction of a new Traveller Card which has to be completed by everyone arriving in South Africa, a new electronic declaration form called the TRD1 (which replaces the DA331), a new electronic signature pad for travellers to sign the completed TRD1 and the introduction of a streamlined payment process. Click here to read more…

3. **Implementation of new cargo management system (ACM) for road:** Following the introduction of an automated cargo management system (ACM) for sea and air in May 2011, SARS is now introducing the same system for road. In the pilot phase (which will coincide with the Kopfontein rollout), all Customs clients doing business at the SACU borders will be expected to submit their declarations and manifests electronically via ACM. Since the introduction of ACM in the sea and air environment, the uptake of cargo reporters has been phenomenal. SARS will therefore be introducing the internal matching and acquittal of goods declarations against cargo reports in these two environments in the near future. Road will follow once volumes and data integrity reach an acceptable level. Further information on registration for ACM and EDI can be found on the ACM Website or go to the SARS website> Customs & Excise> Automated Cargo Management (ACM) System.

4. **Single Registration:** In the first half of 2012 SARS will be phasing in a Single Registration process for Customs and Excise clients. Eventually all taxpayers, traders and practitioners will have a single interface to SARS for their registration / licensing needs. Single registration will be introduced to improve customer service, SARS operational efficiency, as well as to establish a single process to maintain a client

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profile. New applications will be completed on a single integrated SARS form known as the SR1 or Single Registration form. Like other tax applications, it is based on the dynamic Adobe ™ form technology that allows the form to dynamically structure the information required by SARS based on the forms wizard which the applicant will be required to complete. Click here to read more on Single Registration …

5. **Preferred Trader programme:** Part of SARS's segmentation approach involves Customs redefining its Accreditation Programme to provide greater benefits for those clients who demonstrate greater compliance. Last year SARS piloted a preferred trader initiative with about 150 importers and exporters that required the client to perform a self-assessment of their business systems and compliance with Customs' requirements. Upon validation of their compliance by Customs Audit, these traders will receive customised services and benefits in relation to their standing. The intention is to roll out this initiative to all qualifying traders. Click here to read more …

6. **Tariff book:** A new Tariff Management System (TMS) and enhanced Tariff Book will be introduced in 2012. Click here to read more …

7. **Regional IT connectivity:** In order for SARS to meet its commitments in terms of the SAFE Framework of Standards, several initiatives are required to be in place in order to facilitate cross-border mutual recognition of traders. The Preferred Trader Programme has already commenced with developments towards the establishment of a South African Authorised Economic Operator (AEO) Programme. The second pillar involves exchange of information which will be achieved through a programme of IT connectivity initiatives with South Africa's trading partners. To date, SARS has begun working closely with the Kingdom of Swaziland, as well as India, exchanging export data electronically to test the potential for import/export data matching. SARS will also be convening an IT Connectivity workshop in February 2012 in order to establish a common basis of information exchange and IT connectivity with its SACU neighbours, as well as Zimbabwe and Mozambique. The WCO and UNCTAD (United Nations Conference on Trade and Development) have committed to participating in this event.

8. **Interfront CMS:** The replacement of SARS's core declaration system for imports, exports and transit will be introduced in 2012. More details will follow later.

9. **Enhanced warehouse control and management:** The automation of warehouse registration and management practices, which will be incorporated into the overall Customs workflow processes.

10. **Tobacco industry compliance:** Implementation of industry-wide standards to facilitate control and auditability of movement of cigarettes within South Africa, as well as Imports and Exports.

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Customs Modernisation: milestones of 2011

The first half of 2011 saw amendments to the Passenger Processing System, including changes to the DA331, as well as the replacement of SARS's Manifest Acquittal System (MAS) with the Automated Cargo Management (ACM) system – initially introduced only for sea and air cargo reporters.

Key changes that offered trade the benefits of greater ease of movement of goods, faster turnaround times and cost savings, as well as increased efficiency for SARS, were introduced in June 2011. This phase, known as Release 2, was characterised by the introduction of:

- An electronic case management system, called Service Manager, linked to a new inspection process
- Electronic submission of supporting documents
- New Customs Status Codes
- Centralisation of back-end processing in four "Hubs"
- An electronic release system, reducing the need for paper and authorising stamps at branches and
- Measures to enhance the flow of trucks through borders (in the cases of Lebombo and Beitbridge)

These changes were introduced in a phased approach, starting with the four biggest Customs offices – OR Tambo International Airport (ORTIA), Johannesburg (Alberton), Durban and Cape Town – and followed by the other Customs offices that deal with international trade, as well as Lebombo (September) and Beitbridge (October). Next up are the BLNS (Botswana, Lesotho, Namibia and Swaziland) border posts in 2012.

What you had to say: quotes from Customs clients expressing satisfaction with the changes

"This programme has definitely had a positive impact on trade facilitation both into and out of South Africa by accelerating the pace of the clearance of legal freight electronically via our ocean ports, airports, and more recently through the land borders." Dave Logan, CEO, SAAFF

Mr Rodney Cresswell of Rohlig-Grindrod in Komatipoort said their entire office was very excited about the changes. "Everything is going electronic which is great as you can find out exactly where your entry is in the system. At the same time, once your document is in the

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system, you don't know who will release it, which I think is fantastic as it closes the door on corruption."

"Vehicles are moving through the border much quicker," said Leticia Schutte of Clear Fanatics Import & Export in Komatipoort following the Lebombo implementation. "The system saves time and now there are very few queues of trucks with a much better flow across the border. I think Customs Modernisation is very good for trade because of the faster turnaround times which will mean fewer demurrage costs and ultimately better business for trade."

Lin Botha (Sediba Clearing in Beitbridge) said that as a clearing agent in the area she had always had a lot to say about bribery and corruption. "Service Manager is a dream come true for us!" She also praised SARS for all the time spent engaging with them and dealing with queries during the implementation.

Graham Clark from Zimbabwe, a truck driver who travels through the Beitbridge border post regularly, was delighted by the speedier process. "The best case scenario in the past when it came to travelling through the border was about one and a half hours on the South African side. On Monday after the new process was introduced, it took just 30 minutes," he said.

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Changes at BLNS border posts

The biggest change taking place at the BLNS border posts early in 2012 is the migration of cross-border commercial clearance processing from SARS's current CCA system to the mainstream CAPE and Export systems.

The CCA system will first be discontinued at Kopfontein. All other Customs BLNS border posts will, however, continue to operate on the CCA system until the phased rollout of the CAPE/Export systems at these border posts. This system change will have various implications for BLNS traders.

These are some of the changes that can be expected:

• **New inspection workflow** – declarations will be processed at one of four "Hubs", with physical inspections still at port. Several Customs officers at various locations could work on a specific case.

• **Zeerust** office (previously linked to Kopfontein) will no longer do any declaration or passenger processing.

• No physical entry of goods into port without **pre-clearance**. Agents will receive "Proceed to Port" status (status code 8) on EDI. If a truck breaks down before it reaches the border and the cargo is transferred to another vehicle, then an amendment must be made to the manifest and declarations. The documents must then be re-submitted electronically with the new details reflected on both. Going forward, SARS intends to introduce a more sophisticated means of automating the identification of vehicle registrations.

• The gate pass for commercial vehicles will be replaced by a **CN2 form**. The road manifest must be presented to Customs which must contain a summary of all the consignments (MRNs) on the truck. The manifest number will then be captured on the system and the Customs officer will check the status of the declarations. If the status is "release", then a CN2 is printed and the driver may proceed. If not all declarations are released, the relevant CUSRES messages will be sent and the driver will go to the control area for further processing. Once fully processed, the CN2 will be printed and the driver can exit the border post.

• Submission of **electronic** supporting documents. A status 13 message via EDI will indicate the need to submit supporting documents. The trader will then scan and attach the documents to a Customs case number and transmit them using e@syScan software,

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available from Customs service providers. Traders can also submit them at one of four bulk scanning centres in Alberton, Doringkloof (Pretoria), Durban or Cape Town.

• Traders are encouraged to submit clearances electronically via EDI as manual clearances from customs agents will not be processed at the border. For traders who clear for themselves, manual submissions at Kopfontein will only be allowed up to **10 lines per declaration** and no more than **10 declarations per calendar month.** These will be captured electronically on a CD1 form at the port via a face to face discussion between the trader and a Customs officer. Those who do not submit electronically will go through a much more lengthy manual process. For now, electronic submission only applies to the South African side of the border. Other countries' Customs administrations will continue to operate under their own systems.

• New **e-Release** system. No more stamped manifests. Only system-generated release notifications (CN1) will be issued by SARS. The CN1 is produced per declaration and handed to the driver as proof of release. It will replace the stamped SAD 500.

• No more **70707070 codes**. All RSA-based importers/exporters will have to be registered with SARS. For more information on Customs registration, go to www.sars.gov.za under Customs & Excise>Customs Procedures>Registration.

• **Traders from other countries** have to be represented by SA-based "agents" (clearing agents, freight forwarders or whoever is responsible for lodging declarations) who themselves must be registered with SARS as importers/exporters.

• Once a declaration has been submitted, it goes through the SARS validation system and the trader is notified of any payments due. **Payment** then needs to be made before the declaration processing is finalised and before the trader receives a notification of the outcome.

• **Special agreements/concessions** with specific ports will no longer be valid (e.g. no more movement through the port of abnormal loads that are not on manifest).

• Everyone entering the Customs Control Area must adhere to certain rules (e.g. wearing ID cards, reflector jackets, etc) as it is regarded as a **sterile area.**

• A brand new **Passenger Processing System,** with a traveller card that all individuals must complete upon entering and exiting South Africa, will be introduced. For more info, click here …

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Exciting times ahead for compliant traders

A delegation from the European Commission (EC) was hosted by SARS from November 21-30 as the first part of a three-phase approach to assist South Africa in developing the Customs Authorised Economic Operator (AEO) Programme for Trade.

As part of the programme, SARS and the EC will host a joint AEO outreach forum with trade stakeholders in Durban to promote the AEO programme in South Africa and examine the requirements from Customs and trade stakeholders in developing strong partnerships to secure international supply chains.

The initiation of the SARS AEO programme follows the formalisation of the Customs Preferred Trader Programme, with the proclamation on 1 August 2011 of new rules for Accreditation.

SARS has made significant progress on the Preferred Trader pilot and is now working with over 150 of the largest importers and exporters and their designated Customs Agents. These businesses are working with Customs to improve their internal compliance, governance, systems and record keeping with assistance from the Preferred Trader Audit teams located in each of the main administrative centres.

The final step in granting accreditation to the first crop of companies should take place soon, with the SARS Academy finalising an electronically administered Test of Customs Knowledge that will be undertaken by the designated client officer responsible for Customs activities. SARS hopes to give formal status and associated benefits to the first clients achieving the Preferred Trader standards early in 2012.

In addition, Customs is working with a trade working group to develop initiatives in Electronic Warehousing, Excise and Agent Accreditation. SARS has also had indications from the broader SACU region of their plans to adopt the Preferred Trader and future AEO programmes in each country.

All of the above should see greater facilitation for key clients and service providers based on improved compliance and border security.

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New Tariff system on the cards

A new web-based **T**ariff **Ma**nagement **S**ystem (TMS) will replace SARS's legacy Loose Leaf Tariff system as part of the Customs Modernisation Programme early in 2012.

The goal of TMS is to create a powerful, flexible management tool to simplify the complex task of managing duty rates for various commodities being exported or imported.

SARS currently has two areas of focus when it comes to Tariff: **TMS,** which is the application which SARS's Tariff Team will soon be using to maintain the information stored in the Tariff Database and **TBK** (Tariff book) – which will be implemented later in 2012. The TBK system is a brand new tariff database which will specify the duties, taxes and trade remedies, as well as all government regulatory clearance requirements according to the tariff declared.

For instance, the Prohibited and Restricted Import and Export lists as well as all 3rd and 4th Schedule documentary requirements will be included.

From next year the new TBK will calculate all duties and taxes applicable according to the information declared on the goods declaration. At the moment, duties are calculated using Tariff Book Masters within SARS's legacy systems.

The role of the SARS tariff team is to make the relevant changes to the database using TMS and then export these changes to various formats. Changes can comprise anything from the insertion or deletion of commodities, to changing the rates and descriptions of existing commodities or even changes to Trade Agreements.

Most of these changes are published in the Government Gazette and are also sent out to Trade via a XML PRODAT or EDI PRODAT format to the Trade.

Testing on these changes has been conducted with Customs Bureaus and Service Providers since 1 November 2011.

On 2 December 2011, updates to the new Harmonised System 2012 were uploaded to SARS's system and tested by trade, in time for formal implementation on 1 January 2012.

This international commodity description and coding system – used by some 98% of countries around the world – has its product descriptions and codes updated every five years, with out-of-date terms being discarded, and new ones being introduced.

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The last clean-up was in 2007, and the next is due to be introduced on 1 January, 2012. The latest amendments to the codes were published internationally by the World Customs Organisation (WCO) in 2009, and SARS Customs published this amended version on its website – with a last date for comments on November 7.

From 1 January 2012, if the HS code has been changed, Customs clients need to use it – or they won't be able to clear their consignments through customs.

To read about HS2012, go to the SARS website (www.sars.gov.za) where a special page has been created explaining everything to do with the HS amendments, including correlation tables used to identify any change in tariff subheading or rebate items, click here to read more.

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Single Registration for Customs and Excise Clients

The South African Revenue Service (SARS) will be phasing in a new registration, licensing, designation and accreditation process called *"single registration"* for Customs and Excise clients in the first half of 2012.

The process entails the use of a new Single Registration (SR1) form which provides new applicants with an opportunity to apply once for multiple customs and excise products, minimising the re-application and re-submission of documents for licensing and registration for SARS products.

This process enables an existing registered trader to amend current information for multiple customs and excise products at once, or to cancel an existing customs / excise product by minimising the completion of different registration forms and the re-submission of supporting documents for the amendment / cancellation of personal / product information.

The objective of Single Registration is to overcome the current fragmentation of SARS systems, in order to improve efficiencies, eradicate duplication of information and to ensure effective risk management, which protects our clients and the state against fraud. Most importantly, single registration will help to establish a single consolidated view of a client account across all SARS products and to improve the business relationship with accountants, public officers and tax practitioners by recording such relationships.

Single registration will have a number of benefits for both SARS as well as the client (traders, importers, exporters, clearing agents, road hauliers and other stakeholders). These benefits include:
- Eradication of multiple registration forms which resulted in duplication of information;
- A single processing application to ensure centralised client information with clean validated and vetted data;
- Effective client profile management that is able to identify an entity based on any existing information maintained internally by SARS. This prevents the need for an entity to re-submit all known entity information per application made;
- One single, global view of a Legal Entity (individual, company, trusts, partnerships, etc) that includes the client profile and the business relationships with accountants, public officers;
- Improved compliance and risk management capability to counter theft, fraud and corruption.

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Although applicants will be completing a "SR1 form", they will still have different product reference numbers for the various SARS products they have applied/registered for, as it is currently being done. Even though a client is allowed to apply for multiple customs / excise products by completing the SR1 application once, each customs / excise product is processed individually in order to ensure that each application of the customs / excise product complies with the relevant Customs / Excise Act. This will also ensure that should one customs / excise product not comply with the current Customs / Excise Act, that the other customs / excise applications are therefore not unjustly rejected.

More information on Single Registration for customs and excise clients will be made available next year before the system is implemented.

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New Customs processes at SA border posts

Early in 2012, SARS will launch a new Passenger Processing System (PPS), which will be piloted at the Kopfontein (Tlokweng) border post between South Africa and Botswana. Later it will be phased in at other South Africa-Botswana border posts, followed by Swaziland, Lesotho and Namibia. Eventually, it will be implemented at all South African land borders, airports and sea ports.

Travellers will be expected to complete a Traveller Card when entering and/or leaving South Africa at the Kopfontein border post. The Traveller Card provides an effective record of a person's entry into and exit from South Africa, as well as a record of the goods for personal use transported across the border. Only the original Traveller Cards will be accepted and these will be made available at the arrival and departure points at the border posts.

After going to Immigration where the traveller's passport will be scanned, he/she must hand over the passport and the completed Traveller Card to a Customs officer who will scan them. If there is nothing to declare, the traveller will be directed to the green channel and the Traveller Card will serve as the gate pass to exit the border post. Remember, though, that a random selection for inspection of travellers may still be done in the green channel.

If the traveller has something to declare, he/she will be directed to the red channel where the traveller declaration process will commence. The traveller will be asked to make a verbal declaration of the perceived value of his/her personal goods to the Customs officer who will capture this on the new Passenger Processing System. The traveller will then be asked to confirm the traveller declaration (TRD1) as captured, by signing on a signature pad that will record their signature electronically on the system.

If the signature pad is not available or out of order, theTRD1 will be printed and the traveller will be asked to sign the TRD1 with a pen. The signed TRD1 will then be scanned and attached to the electronic traveller declaration.

The outcome of the captured traveller declaration may result in a payment – which can be done by cash or credit card.

The traveller will be handed a printed TRD1 form – reflecting the declared items and the outcome of the declaration made – as well as receipts for payments (if applicable).

Should a traveller not have the money to pay Customs duty and/or Value-Added Tax (VAT) for personal goods in excess of allowances, the personal goods in question will be detained until such time that payment is made. The detained items will be indicated on the traveller

declaration (TRD1). The items will be kept in a dedicated detention area until such time as the traveller has paid and claimed the goods or when the period for detaining the items in the dedicated detention area has lapsed. If this happens, the traveller must then claim those items from the state warehouse.

A formalised handover process is also being introduced in cases where goods are detained by Other Government Agencies (OGAs). Currently there is no formal process to show what has happened to detained goods that have been handed over by Customs to OGAs. A handover notice will now be printed and signed by all involved and a copy given to the client.

Informal traders bringing goods across the borders will be treated the same as other travellers. However, SARS has built into its system certain risk/limitation rules based on frequency of visits and value of personal goods brought across the border during a predefined period. The traveller will be warned twice that he/she is contravening the commercial trading rules and by the third time, he/she will be forced to register as a commercial trader.

To further increase efficiency and reduce fraud, the whole process around Temporary Imports will be much quicker than before as the time-consuming manual process has been replaced by an electronic process.

More information will be made available on the SARS website www.sars.gov.za> Customs and Excise > Travellers closer to the go-live date or click here to go to the Travellers' webpage.

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