

# Customs Alert

26 January 2010

## On-Site Verification: Be aware of the potential impact on your business

The South African Revenue Service's Customs National Audit team has developed and is deploying an intensive information gathering exercise whereby detailed information is sought regarding the respondent's business. This on-site verification process is a precursor to the implementation of the revised Customs and Excise Act, 1964 ("the Customs Act") anticipated to be made effective in the third quarter of 2010. With greater emphasis on Customs' clients being self-compliant, the National Audit Team appear to be preparing for the implementation of this new legislation by enhancing the customs to business interactions.



The approach entails a two-year verification of the taxpayer's customs transactions. However, we have noted that some of the information requested has more far reaching taxation implications.

Taxpayers should be aware that the on-site verification process is a comprehensive audit and should be treated as such. The questions posed on the questionnaire that is sent to the taxpayer should be considered very

carefully and the respondent must provide correct and accurate information. Discounting the importance of the information provided may have adverse consequences and we therefore recommend that clients carefully consider their customs compliance strategies and ensure that their customs compliance procedures are in order.

The on-site verification process instructions for customs officials and respondents refer to a compliance

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## On-Site Verification

improvement plan should the on-site verification yield levels of non-compliance, with the claim that emphasis is being placed on the enhancement of relations between the taxpayer being audited, the clearing and forwarding agents and any other stakeholder in the development of a compliance improvement plan.

It is important to note however that while a perception may be created that a level of amnesty is being offered, this appears to not be the case as non-compliance will result in a schedule of non-compliance being raised by the audit team demanding the recovery of any financial prejudice identified as well as penalties imposed in terms of Sarsi's Customs Administrative Monetary Penalty System or "CAMPS".

The audit process appears to extend beyond the usual customs parameters and the Customs National Audit team are requesting and reviewing additional information and are going into greater detail as to the taxpayers transactions.

We therefore strongly recommend that should your business be approached by SARS to conduct an on-site verification process, that a knowledgeable person, with a suitable level of competence in customs compliance addresses the questions and assesses the state of compliance of the business. We further recommend that if you have not yet received such a request from SARS, that you ensure that you are aware of your state of customs compliance, and that you are ready to address any such requests when they arise.

Should you require any additional information on on-site verifications or require assistance with any such enquiries from the SARS, do not hesitate to contact any of the PwC Customs specialists listed below:-

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