

# Customs Alert

20 October 2009

## SARS goes back to basics

Recently, the South African Revenue Service (SARS), Customs and Excise, conducted basic compliance audits at three importers/manufacturers and issued assessments of between R60 million and R131 million per importer.

These assessments relate to importers and manufacturers that are registered and utilising bonded facilities, such as:

- Customs and Excise Storage Warehouses (also referred to as "bond stores");
- Industrial Rebate Stores ("Rebate Store"); and
- General Rebate Stores (such as Rebate Item 470.03).

The various offences identified during the audits include:

- Incorrect registration with SARS;
- Goods were not admissible under rebate;
- Wastage not accounted for accurately; and
- Non-compliant and ineffective record keeping and management of these facilities.

The assessments raised by SARS pertained to import/manufacturing activities over a two-year period and included import duties, import VAT, Customs penalties, forfeiture, interest and VAT penalties.

Although the import VAT is potentially recoverable from SARS, the penalties, forfeiture, interest and VAT penalty alone account for at least 40% of the total assessments raised, which, in combination with the customs duty (where applicable) represents a direct cost to the importer / manufacturer which cannot be recovered.

Performing a timeous review of an importer's or manufacturer's customs activities to determine the level



of compliance and, thereby, any potential duty and/or VAT liability can save significant amounts in penalties, forfeiture, interest and VAT penalties.

Our national Customs specialists may be contacted on the following numbers:

Gerard Soverall	011 797 5004
<a href="mailto:gerard.overall@za.pwc.com">gerard.overall@za.pwc.com</a>	
Herman Fourie	011 797 5314
<a href="mailto:herman.fourie@za.pwc.com">herman.fourie@za.pwc.com</a>	
Hennie Engelbrecht	011 797 4500
<a href="mailto:h.engelbrecht@za.pwc.com">h.engelbrecht@za.pwc.com</a>	
Arthur Poulos	011 797 4473
<a href="mailto:arthur.poulos@za.pwc.com">arthur.poulos@za.pwc.com</a>	
Selaelo Arendse	021 529 2290
<a href="mailto:selaelo.arendse@za.pwc.com">selaelo.arendse@za.pwc.com</a>	

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