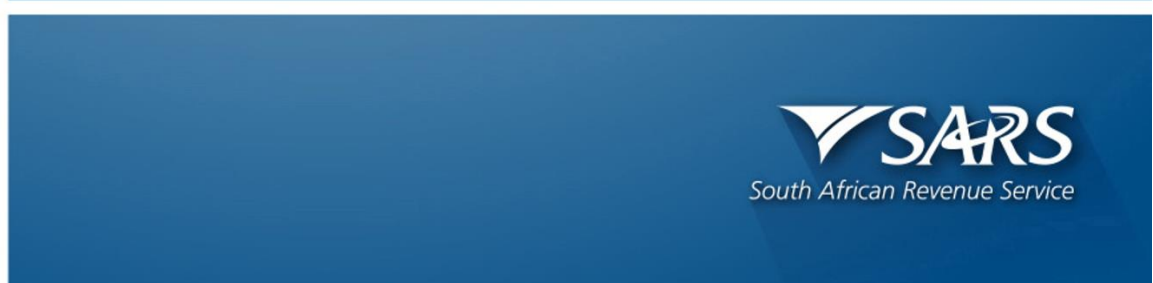


Standing Committee on Finance

Illicit Cigarette and Tobacco Trade

20 November 2019



Licenced and Registered Entities

- ✔ Across the country there is 19 registered and licensed primary and secondary tobacco and cigarette manufacturers
- ✔ 180 x importers and exporters that deal in tobacco , cigarettes and primary cigarette products.
- ✔ 90% of the manufacturers are based with the Gauteng Region.
- ✔ One tobacco processor and one cigarette manufacturer are based in the Eastern Cape.
- ✔ One manufacturer is based in Kwa-Zulu Natal.
- ✔ One tobacco processor is based in Polokwane
- ✔ Two tobacco manufacturer are based in Western Cape

Importation Overview

Overview of the period 1 April 2018 to 30 September 2018 compared to 1 April 2019 to 30 September 2019:

- 195.42% increase in cigarette imports under the purpose code/customs procedure code DP/A11 from 24 million sticks to 72 million sticks. This is due to the increase of imported cigarettes from Switzerland with 233.59%.
- 56.93% increase in cigarette imports under the purpose code/customs procedure code WE/E42 from 236 million sticks to 370 million sticks. This is due to an increase of imported cigarettes from China (98.50%).
- 0.88% decrease in cigarette imports under the purpose code/customs procedure code WH/E40 from 1.51 billion sticks to 1.50 billion sticks. This is due to the decrease of imported cigarettes from Tanzania (58.77%).

Importation Information

Purpose Code Description for Imported Goods

| Purpose Codes and Customs Procedure Codes Description for Imported Goods | | | |
|--|---|-------------------------|--|
| Purpose Code | Purpose Code Description | Customs Procedure Codes | Customs Procedure Codes Description |
| DP | Duty Paid | A 11 | Clearance of Goods for Home Use and Free Circulation |
| GR | General Rebate | A 14 | Clearance for 'Home use' under 'relief of duties and taxes' for specific conditions as provided for under Schedule 4 |
| IM4 | Permanent Imports from the Botswana, Lesotho, Namibia and Swaziland (BLNS Countries) | A12 | Clearance for Home Use and payment of VAT, of free circulation goods arriving from a BLNS country |
| WH | Warehouse of Imported Goods (Home Consumption) | E 40 | Clearance of Goods in a Customs and Excise Warehouse under the Warehouse Procedure |
| WE | Warehouse of Imported Goods (For Export Purposes Only) | E42 | Clearance of Imported Goods into a Customs and Excise Warehouse for Subsequent Exportation from the Republic |

Cigarette Imports 2018-2019

| Cigarettes Imported per Purpose Code | | | | | | | |
|--------------------------------------|------------------------|------------------|---------------|------------|------------------|---------------|------------|
| Purpose Codes | Customs Procedure Code | Apr 18 to Sep 18 | | | Apr 19 to Sep 19 | | |
| | | Quantity (Kg) | Customs Value | Unit Value | Quantity (Kg) | Customs Value | Unit Value |
| Grand Total | | 2 130 022 | R 766 365 995 | R 359.79 | 2 332 766 | R 810 452 296 | R 347.42 |
| WH | E 40 | 1 817 159 | R 636 766 016 | R 350.42 | 1 801 234 | R 632 465 396 | R 351.13 |
| WE | E 42 | 283 587 | R 122 352 645 | R 431.45 | 445 044 | R 148 279 550 | R 333.18 |
| DP | A 11 | 29 276 | R 7 246 676 | R 247.53 | 86 488 | R 29 707 350 | R 343.49 |
| IM4 | A 12 | 1 | R 658 | R 658.00 | 0 | R 0 | R 0.00 |

Cigarettes Imported per Month

| Cigarettes Imported per Month | | | | | | |
|-------------------------------|------------------|------------------|------------------|------------------|----------------------|--------------|
| | Apr 18 to Sep 18 | | Apr 19 to Sep 19 | | | |
| Month | Quantity (Kg) | Number of Sticks | Quantity (Kg) | Number of Sticks | Difference in Sticks | % Difference |
| April | 309 907 | 258 256 017 | 253 331 | 211 109 025 | -47 146 992 | -18.26% |
| May | 262 673 | 218 894 467 | 253 655 | 211 379 433 | -7 515 033 | -3.43% |
| June | 279 520 | 232 933 408 | 296 158 | 246 798 492 | 13 865 083 | 5.95% |
| July | 382 740 | 318 950 342 | 219 935 | 183 279 167 | -135 671 175 | -42.54% |
| August | 403 294 | 336 078 375 | 591 995 | 493 329 083 | 157 250 708 | 46.79% |
| September | 208 303 | 173 586 117 | 272 648 | 227 206 292 | 53 620 175 | 30.89% |
| Grand Total | 1 846 438 | 1 538 698 725 | 1 887 722 | 1 573 101 492 | 34 402 767 | 2.24% |

Countries of Origin

| Top 10 Countries Imported from | | | | | |
|--------------------------------|------------------|------------|----------------------|------------------|------------|
| Country Description | Apr 18 to Sep 18 | | Country Description | Apr 19 to Sep 19 | |
| | Quantity | % Quantity | | Quantity | % Quantity |
| Grand Total | 1 846 438 | | Grand Total | 1 887 722 | |
| Switzerland | 1 706 838 | 92.44% | Switzerland | 1 797 087 | 95.20% |
| Tanzania | 89 973 | 4.87% | Tanzania | 40 447 | 2.14% |
| United Arab Emirates | 23 942 | 1.30% | South Africa | 10 577 | 0.56% |
| Poland | 16 603 | 0.90% | United Arab Emirates | 10 198 | 0.54% |
| South Africa | 6 689 | 0.36% | Serbia | 7 719 | 0.41% |
| Serbia | 1 052 | 0.06% | Mozambique | 6 458 | 0.34% |
| United States of America | 1 007 | 0.05% | Zimbabwe | 6 401 | 0.34% |
| Lithuania | 101 | 0.01% | Zambia | 3 208 | 0.17% |
| Cuba | 53 | 0.00% | Philippines | 3 003 | 0.16% |
| Mozambique | 50 | 0.00% | Lithuania | 2 385 | 0.13% |
| Countries (24) | | 99.99% | Countries (25) | | 99.99% |

Tobacco and Cigarette Raw Materials

| Imports of Unmanufactured Tobacco, Cigarette Tobacco, Cigarette Paper and Filter Tow | | | | | |
|--|---|------------------|------------------|---------------------|--------------|
| | | Apr 18 to Sep 18 | Apr 19 to Sep 19 | | |
| Tariff Item | Tariff Description | Quantity (Kg) | Quantity (Kg) | Quantity Difference | % Difference |
| 2401.10.00 | Tobacco, not stemmed or stripped | 1 246 910 | 1 071 743 | -175 167 | -14.05% |
| 2401.20.00 | Tobacco, partly or wholly stemmed or stripped | 72 490 842 | 61 530 093 | -10 960 749 | -15.12% |
| 2403.19.30 | Cigarette tobacco | 219 918 | 242 211 | 22 293 | 10.14% |
| 4813.20.00 | Cigarette paper: in rolls of a width not exceeding 5 cm | 849 824 | 791 740 | -58 084 | -6.83% |
| 4813.90.00 | Cigarette paper: other | 1 447 526 | 1 946 309 | 498 783 | 34.46% |
| 5502.10.00 | Artificial filament tow: cellulose acetate | 2 707 550 | 2 266 392 | -441 158 | -16.29% |
| Grand Total | | 78 962 570 | 67 848 488 | -11 114 082 | -14.08% |

Exportation Overview

Overview of the period 1 April 2018 to 30 September 2018 compared to 1 April 2019 to 30 September 2019:

- 0.62% decrease in cigarette exports under the purpose code/customs procedure code ELG/H60 from 2.21 billion sticks to 2.20 billion sticks. It must be noted that the volumes of cigarettes exported above are from duty paid stock. Most of the exports relate to rebate item 470.03 (goods cleared in terms of a permit issued by the International Trade Administration Commission, for use in the manufacture, processing, finishing, equipping or packing of goods exclusively for export).
- 524.37% increase in cigarette exports under the purpose code/customs procedure code EX1/ H61 from 385 million sticks to 2.4 billion sticks. This is due to an increase of exported cigarettes to Namibia (747.93%) and to Botswana (493.38%).
- 46.21% increase in cigarette exports under the purpose code/customs procedure code ZE/H68 from 767 million sticks to 1.1 billion sticks. This is due to an increase of exported cigarettes to Zimbabwe (616.89%).

Purpose Code / Customs Procedure Codes for Exported Goods

| Purpose Codes and Customs Procedure Codes for Goods Exported | | | |
|--|---|-------------------------|---|
| Purpose Code | Purpose Code Description | Customs Procedure Codes | Customs Procedure Codes Description |
| EAS | Exports as ship/aircraft stores not ex Customs and Excise Warehouse | F 51 | Clearance for supply of "free circulation goods" Cleared under the Stores Procedure as supplies to foreign-going vessel, aircraft, or train |
| EIG | Exports of Imported Goods | H 60 | Outright Export of free circulation goods |
| ELG | Exports of South African Products | H 60 | Outright Export of free circulation goods |
| EXI | Permanent Exports to Botswana, Lesotho, Namibia and Swaziland (BLNS Countries) | H 61 | Outright exports of free circulation goods for BLNS Countries |
| XE | Export of Imported Goods ex Customs and Excise Warehouse | H 67 | Outright exports of goods originally placed under the "Warehouse Procedure" |
| XES | Export of Imported Goods as ship/aircraft stores ex Customs and Excise Warehouse | F 53 | Supply of "Stores" of imported goods placed under the "Warehouse Procedure" |
| ZE | Export of South African Products ex Customs and Excise Warehouse | H 68 | Clearance for Outright Exports of "Excise" goods from and Excise Warehouse |
| ZES | Exports of South African Products as ship/aircraft stores ex Customs and Excise Warehouse | F 52 | Supply of "Stores" of locally manufactured "Excise" products, EX an Excise Manufacturing Warehouse |

Cigarette Exports

| Cigarette Exported per Purpose Code/Customs Procedure Code | | | | | | | |
|--|------------------------|------------------|----------------------|-----------------|------------------|------------------------|-----------------|
| Purpose Codes | Customs Procedure Code | Apr 18 to Sep 18 | | | Apr 19 to Sep 19 | | |
| | | Quantity (Kg) | Customs Value | Unit Value | Quantity (Kg) | Customs Value | Unit Value |
| Grand Total | | 4 338 619 | R 840 158 813 | R 193.65 | 7 223 581 | R 1 043 839 756 | R 144.50 |
| ELG | H 60 | 2 660 172 | R 235 310 073 | R 88.46 | 2 643 790 | R 294 622 112 | R 111.44 |
| ZE | H 68 | 915 304 | R 97 945 030 | R 107.01 | 1 338 300 | R 135 111 825 | R 100.96 |
| EX1 | H 61 | 462 213 | R 402 744 059 | R 871.34 | 2 885 941 | R 510 244 116 | R 176.80 |
| XE | H 67 | 190 920 | R 59 780 895 | R 313.12 | 238 268 | R 49 998 355 | R 209.84 |
| XES | F 53 | 73 975 | R 27 184 120 | R 367.48 | 76 675 | R 33 751 105 | R 440.19 |
| ZES | F 52 | 35 976 | R 17 164 551 | R 477.11 | 40 468 | R 20 031 186 | R 494.99 |
| EAS | F 51 | 58 | R 30 085 | R 521.58 | 139 | R 81 057 | R 583.98 |

Cigarettes Exported per Month

| Cigarettes Exported per Month | | | | | | |
|-------------------------------|------------------|------------------|------------------|------------------|----------------------|--------------|
| | Apr 18 to Sep 18 | | Apr 19 to Sep 19 | | | |
| Month | Quantity (Kg) | Number of Sticks | Quantity (Kg) | Number of Sticks | Difference in Sticks | % Difference |
| April | 511 944 | 426 620 250 | 1 168 204 | 973 503 525 | 546 883 275 | 128.19% |
| May | 667 129 | 555 941 083 | 1 467 199 | 1 222 665 442 | 666 724 358 | 119.93% |
| June | 665 390 | 554 491 708 | 1 145 110 | 954 258 383 | 399 766 675 | 72.10% |
| May | 696 115 | 580 096 058 | 1 057 858 | 881 548 008 | 301 451 950 | 51.97% |
| June | 1 064 768 | 887 306 942 | 1 219 044 | 1 015 869 833 | 128 562 892 | 14.49% |
| July | 733 272 | 611 059 792 | 1 166 167 | 971 805 825 | 360 746 033 | 59.04% |
| Grand Total | 4 338 619 | 3 615 515 833 | 3 780 513 | 6 019 651 017 | 2 404 135 183 | 66.49% |

Countries of Destination

| Top 10 countries exported to | | | | | |
|------------------------------|------------------|------------|---------------------|------------------|------------|
| | Apr 18 to Sep 18 | | | Apr 19 to Sep 19 | |
| Country Description | Quantity (Kg) | % Quantity | Country Description | Quantity (Kg) | % Quantity |
| Grand Total | 4 338 619 | | Grand Total | 7 223 581 | |
| Mali | 1 731 458 | 39.91% | Mali | 2 068 123 | 28.63% |
| Angola | 731 090 | 16.85% | Namibia | 1 644 628 | 22.77% |
| Netherlands | 205 815 | 4.74% | Lesotho | 947 029 | 13.11% |
| Namibia | 195 751 | 4.51% | Angola | 737 869 | 10.21% |
| Botswana | 159 599 | 3.68% | Zimbabwe | 278 400 | 3.85% |
| Mozambique | 143 447 | 3.31% | Botswana | 222 013 | 3.07% |
| Gabon | 141 816 | 3.27% | Netherlands | 218 647 | 3.03% |
| Vietnam | 141 227 | 3.26% | Vietnam | 179 912 | 2.49% |
| Mauritius | 138 867 | 3.20% | Mozambique | 159 372 | 2.21% |
| China | 114 018 | 2.63% | China | 85 764 | 1.19% |
| Countries (78) | | 85.35% | Countries (79) | | 90.56% |

Tobacco and Cigarette Raw Materials

| Exports of Unmanufactured Tobacco, Cigarette Tobacco, Cigarette Paper and Filter Tow | | | | | |
|--|---|------------------|------------------|---------------------|--------------|
| | | Apr 18 to Sep 18 | Apr 19 to Sep 19 | | |
| Tariff Item | Tariff Description | Quantity (Kg) | Quantity (Kg) | Quantity Difference | % Difference |
| 2401.10.00 | Tobacco, not stemmed or stripped | 330 861 | 242 720 | -88 141 | -26.64% |
| 2401.20.00 | Tobacco, partly or wholly stemmed or stripped | 37 197 803 | 38 390 839 | 1 193 036 | 3.21% |
| 2403.19.30 | Cigarette tobacco | 4 786 782 | 4 277 432 | -509 350 | -10.64% |
| 4813.20.00 | Cigarette paper: in rolls of a width not exceeding 5 cm | 124 874 | 151 067 | 26 193 | 20.98% |
| 4813.90.00 | Cigarette paper: other | 685 264 | 560 993 | -124 271 | -18.13% |
| 5502.10.00 | Artificial filament tow: cellulose acetate | 22 350 | 44 151 | 21 801 | 97.54% |
| Grand Total | | 43 147 933 | 43 667 202 | 519 270 | 1.20% |

Customs Interventions and Successes

April 2019 to October 2019

No Cases of Seizures of Cigarettes: 306

Quantity of Cigarettes Seized : 44 904 420 sticks

Value of seized Cigarettes : R 40 Million

No. of Cases of Seizures of Tobacco : 23

Quantity of Tobacco Seized : 11 740kgs

Value of Seized Tobacco : R 77 000

Significant Cases

- Western Cape : Container of Cigarettes imported from Dubai was profiled and targeted for Customs intervention , the container was abandoned. The information on the shipping documents as it relates to the importer was found to be false , addresses did not exist. 1000 master cases of Royal cigarette
- Gauteng : 25 master cases of the brand Caspian was found being distributed without the SA diamond stamp and was seized as being non-compliant with the Excise requirements.
- North West : 281 master cases of cigarettes found concealed in a false compartment of a 40 foot container

Significant Cases

- Gauteng : 165 tons of unprocessed tobacco has been detained at the Customs state warehouse pending finalization of the case for seizure.
- Several compliance verification activities have taken place on the confirmation of consignments of imported cigarettes , these were found to be correctly declared and compliant with the legislative requirements.



Current Operational Activities

- ✔ SARS is currently conducting periodic visits to tobacco and cigarette manufacturers and there is currently a static deployment of Customs inspectors to a number of cigarette manufacturing facilities.
- ✔ The officers role is to conduct periodic checks on the production , consolidation of tobacco used , the number of cigarettes produced and the quantities removed for distribution.
- ✔ Current monitoring and risk targeting methodologies are being employed within the Customs Risk and Case Selection processes to identify high risk consignments of both cigarettes and tobacco that is being either imported, exported of that which is transiting South Africa,

Current Matters in Progress

- ✔ Three criminal matters are currently in Court that relates to cigarette and tobacco smuggling.
- ✔ Civil matters currently in progress relates to over R 200 Million in losses to the fiscus.
- ✔ Current investigations around the movement of raw tobacco that was imported and suspected to be utilized in the illicit cigarette production process.

Current Legislation and Policy Processes

- ✔ The implementation of the cigarette manufacturing counters , second round of public comments have been received and will be evaluated prior to implementation.
- ✔ The implementation of tobacco manufacturers – Leaf Threshers is under consideration , public comments have been received and is being evaluated.
- ✔ The implementation of forestalling regulations that govern the volumes of cigarettes that can be stored by the Manufacturer after being produced.
- ✔ The track and trace project is ongoing to address the fiscal marker.

Thank you
Re a leboha
Re a leboga
Ndza Khensa
Dankie
Ndi a livhuwa
Ngiyabonga
Enkosi
Ngiyathokoza