**SUMMARY OVERVIEW OF THE SARS CUSTOMS FUNCTION AS IT RELATES TO PORTS OF ENTRY:**

**PROPOSED ROLES AND RESPONSIBILITIES FOR THE BORDER MANAGEMENT AUTHORITY (BMA) AND THE SOUTH AFRICAN REVENUE SERVICE (SARS)**

1. **GENERAL OVERVIEW OF THE CUSTOMS FUNCTION**
2. Customs has an integrated value chain that extends from the pre-border (outside of SA), across the border (Port of Entry) to the post-border environment (inland in South Africa).
3. There are a series of consequential and logical customs and revenue collection tasks and steps that make up this integrated customs value chain. The two generic stages are compliance processing and enforcement.
4. When customs functions are segmented across this entire value chain, then about 10% of customs functions are performed at Ports of Entry. The majority of customs functions performed occur pre- and post-border, i.e. outside of the physical Port of Entry.
5. About 2500 SARS staff perform designated functions across the entire customs value chain.
6. Of the above figure, approximately 1400 SARS staff are physically located at Ports of Entry.
7. The contribution of customs revenue, taxes and excise duties collected from the entire value chain contributes about 30% to the total revenue of the State. However the customs taxes and excise duties and related revenue physically collected at Ports of Entry, constitutes less than 1% of all the total customs revenue collected.
8. **DESCRIPTION OF THE CUSTOMS VALUE CHAIN**

The customs value chain described below is principally for imported goods and incoming travellers entering South Africa.

**2.1 Customs Value Chain for Goods**

There are two broad stages in the customs value chain as it applies to goods, cargo and containers, i.e. compliance and enforcement, which can be further subdivided:

1. **Compliance Stage:** The bulk of customs functions are performed in this general compliance segment or stage of the customs value chain. The compliance stage has three distinct sub-segments: electronic processing and revenue collection; risk-driven and manual compliance inspections; and enforcement.
   1. *Electronic Processing and Revenue Collection (Pre-Border):*

* Online Submission of Trader’s Documentation (*Pre-Border*): Traders start by completing relevant customs documents and manifests indicating their intention to export goods to South Africa. This is assessed online by the SARS customs back-office that involves ensuring compliance with customs laws and that correct procedures are followed by traders, exporters and importers. Various declarations need to be completed and submitted to SARS online for assessment prior to the goods being shipped or transported to South Africa. The SARS customs back-office groups traders into various risk categories.
* Supporting Documentation is checked and assessed (*Pre-Border and at Port of Entry*): Once the goods arrive at the Port of Entry in South Africa three specific functions are performed by customs officials. Firstly, supporting documentation can be requested by customs officials at a Port of Entry at the instruction of the back-office of SARS. In this instance the trader or the trader’s agent must provide this supporting documentation to the customs official at the Port of Entry who then submits this electronically back to the SARS back-office.
* Release of Goods and Cargo (*Port of Entry*): Secondly, once the back-office has assessed the supporting documentation received from the Port of Entry customs officials, it can instruct the relevant Port of Entry to either release the goods or not. The back office may request the customs officials at the Port of Entry to perform a third task, which is a full inspection of the goods or cargo for compliance and/or revenue purposes. This is the next stage explained below, i.e. compliance inspections.

1. *Risk-Driven and Manual Compliance Inspections* (at a *Port of Entry*):

* Compliance inspections take place at a Port of Entry when goods are not immediately released based on feedback received from the SARS back-office customs compliance centre.
* Two types of compliance inspections of goods or containers can be undertaken by customs officials: either at the instruction of the customs back-office as indicated; or informed by an on the ground manual risk assessment of the goods or container(s) at the Port of Entry. Both these compliance inspections typically check three things: the origin of goods; the value of goods; and the classification of goods.
* The outcome of compliance inspections can lead to two scenarios. Scenario one is that a fine / penalty can be issued based on inconsistencies relating to the three criteria used in the inspection. For example, if cigarettes declared in the manifest are in fact cigars which have a greater value, then the trader must pay a higher import customs tax. The goods will be detained until the trader pays the required fine. Scenario two is where the declared goods inspected are either prohibited or restricted goods, e.g. not cigarettes or cigars, but drugs or narcotics.

1. *Collection of Taxes* (at a *Port of Entry*):

Under scenario one above, i.e. where there are inconsistencies during the compliance inspections regarding the origin, value and/or classification of goods, the customs officials can issue a fine that must be paid at the Port of Entry. These customs taxes and fines paid constitute less than 1% of the total revenue collected across the entire customs value chain. Upon payment the goods are released to the trader, traveller or trader’s agent at the direction of the central customs compliance centre.

1. **Enforcement Stage** *(at Port of Entry):*

Under scenario two, where compliance requirements are not met, the prohibited or restricted goods are detained or seized. This is the enforcement function as it relates to prohibited or restricted goods. The customs officials complete the relevant declaration forms for the confiscated goods and hands these goods and declaration forms to the South African Police Service (SAPS). This information is also provided back the SARS customs back-office where the relevant traders are flagged as high risk for future reference. From this point, once the goods are handed over to SAPS as evidence, the normal policing and judicial processes apply, which may include investigations, prosecutions, court proceedings, sentencing etc.

**2.2 Customs Value Chain for People**

The same two broad stages of the customs value chain applies to cross-border people movement and individual travellers, i.e. compliance and enforcement. However the details regarding the procedures of compliance and enforcement may differ:

1. **Compliance Stage** *(Pre-Border and at Port of Entry):*

The risk assessment and profiling of traveller Information is mainly undertaken through the Advanced Passenger Processing (APP) and Passenger Name Records (PNR) programmes and mechanisms. Traveller information is cross-referenced against other relevant databases, e.g. Home Affairs, SAPS and Interpol. The primary purpose from a customs perspective is focused on the cross-border movement of prohibited or restricted goods, like drugs or any other illegal goods associated with the traveller’s baggage. The compliance stage also has three distinct sub-segments: electronic processing; compliance inspections; and enforcement.

* 1. *Electronic Processing (Pre-Border):*
* Submission and Approval of Primary Traveller’s Documentation (*Pre-Border*): Travellers use their passports to buy tickets for international travel. Where applicable they apply for visas from DHA. These are checked together with the passports in the country of origin prior to departure. Customs officials have access to this information although this is not processed by SARS. Responsibility for the issuance of visas, where applicable, is a Home Affairs function facilitated by VFS and/or South African embassies abroad.
* Once a traveller has left a country of origin airlines or foreign countries must alert South African authorities in advance of a risk associated with targeted travellers. This may be about the possibility of the profiled traveller transporting illegal goods in his/her personal baggage.

1. *Compliance Immigration and Customs Inspections* (at a *Port of Entry*):

* Immigration Facilitation: DHA immigration officials have the responsibility of undertaking frontline processing of travellers entering South Africa at Ports of Entry. This involves the inspection and authorisation of travel documentation. At international airports travellers thereafter proceed to collect their baggage at the carousel.
* Carousel Customs Inspections (International Airports): At this stage customs officials at a Port of Entry first start by performing their manual duties. This typically could involve the deployment of sniffer dogs to detect the transport of any prohibited or restricted goods of personal baggage of travellers.
* Declaration of Baggage Goods and Supporting Documentation / Invoices are checked (*Pre-Border and at Ports of Entry*): Once the traveller has collected his/her baggage at an airport Port of Entry additional functions are performed by customs officials. Firstly the traveller must choose to declare goods or not through either the green or red channels respectively. Under the green channel scenario the traveller proceeds without any customs inspections into South Africa. However the traveller may be stopped for a partial or full compliance inspection.
* Should the traveller either choose the red channel, or be redirected from the green to the red channel, then invoices of identified goods purchased and relevant supporting documentation can be requested by customs officials. This compliance inspection process can be undertaken at the instruction of the back-office of SARS after a traveller has been profiled. In this instance the traveller must provide the relevant invoices or supporting documentation to the customs official at the Port of Entry. If there is a negative outcome this information is submitted electronically back to the SARS compliance back-office.
* Release of Goods in Personal Baggage (*Port of Entry*): Following the compliance inspection in the red channel the Port of Entry customs officials can either release the goods or not. These compliance inspections also typically check three things: the origin of goods; the value of goods; and the classification of goods.
* Negative Outcome of Inspection of Personal Baggage: A negative outcome of the compliance inspections could lead to the same two scenarios described above for goods processing. Scenario one is that a fine / penalty can be issued to the traveller based on inconsistencies relating to the three criteria used in the inspection. Or in scenario two where the baggage goods inspected are either prohibited or restricted goods, these are seized and the traveller is arrested and handed over to the SAPS. Scenario two is the second generic stage of customs enforcement outlined below.

1. *Collection of Taxes* (at a *Port of Entry*):

Where there are inconsistencies during the compliance inspections regarding the origin, value and/or classification of goods, the customs officials will issue a fine to the traveller that must be paid at the Port of Entry.

1. **Enforcement Stage** *(at Port of Entry):*

If the goods (under scenario two above) are prohibited or restricted then these are detained or seized and the traveller is arrested. This is the customs enforcement function. The customs officials complete the relevant declaration forms for the confiscated goods and arrested traveller and both are handed over to SAPS. This information is reported back the SARS customs back-office where the relevant travellers are flagged as high risk for future reference. From this point, the arrested traveller and seized goods are handed over to SAPS as evidence and the normal policing and judicial processes apply.

1. **PROPOSED ROLES AND RESPONSIBILITIES OF THE BMA AND SARS IN THE CUSTOMS VALUE CHAIN**

**Customs Value Chain for People**

**Customs Value Chain for Goods**

Over 99% of customs revenue is collected here

Goods enter SA if not prohibited or restricted

Less than 1% of customs revenue is collected here

Less than 1% of customs revenue is collected here

4

4

Collection of Taxes / Fines (Port of Entry)

Collection of Taxes / Fines (Port of Entry)

6

2

5

3

1

Hand-over to SAPS (Port of Entry)

Seizure of prohibited / restricted goods & Arrest of Traveller (Port of Entry)

Manual Compliance Inspections: Red / Green Channels (Port of Entry)

Electronic Processing of Travellers (Pre-Border)

Hand-over to SAPS (Port of Entry)

Seizure of prohibited / restricted goods (Port of Entry)

Manual Compliance Inspections (Port of Entry)

Electronic Processing of Traders and Revenue Collection (Pre-Border)

1. **PROPOSED ROLE OF THE BMA IN THE CUSTOMS VALUE CHAIN**

**4.1 Customs Value Chain for Goods**

1. With regard to the customs value chain for goods movement only, the pre-border electronic processing of traders information and revenue collection can be managed by SARS. This is the main source of revenue collection in the customs value chain. Furthermore SARS will remain the custodian of managing trader’s information and the associated risk engine and systems linked to all traders.
2. Upon the arrival of goods, cargo and containers at South African Ports of Entry the BMA should assume full responsibility for customs functions:
3. Risk-driven and Manual Compliance Inspections of Targeted Goods, Cargo and Containers: These inspections can be informed by central risk-driven directives from the SARS compliance centre or routine inspections based on real time assessments at the Port of Entry. The outcomes of these compliance inspections are reported to the back-office SARS Compliance Centre. Where required, specialist SARS inspectors can be called to the Port of Entry to undertake more complex inspections and assessments for revenue collection purposes. However, in general BMA officers must be trained to assume on-going customs compliance functions at a Port of Entry. A basic assumption is that the existing 1400 SARS customs officials at all relevant Ports of Entry will be transferred to the BMA.
4. Collection of Relevant Taxes and Receipt of Payment of Fines from Traders and/or Shipping Agents, where applicable: The BMA will collect and transfer these funds directly to either SARS or the National Revenue Fund.
5. Execution of the Enforcement Functions regarding the Seizure of Prohibited or Restricted Goods, where applicable: BAM Officers will assume all enforcement functions.
6. Handing over the Prohibited and Restricted Goods to SAPS.
7. Since the BMA is focused on frontline customs functions at Ports of Entry, SARS will continue to be responsible for all inland (post-border) customs functions. This would include, inter alia, responsibility for bonded warehouses and inland customs depots.

**4.2 Customs Value Chain for People**

1. With regard to the customs value chain relating to travellers’ baggage, SARS like DHA will be mainly reliant on traveller’s information from the APP and PNR. Responsibility for the back-office processing travellers to South Africa is a DHA function supported by the relevant law enforcement and security agencies in government.
2. Upon the arrival of travellers at South African Ports of Entry the BMA will assume full responsibility for all customs functions as it relates to these travellers. Again a basic assumption is that the existing 1400 SARS customs officials at all relevant Ports of Entry will be transferred to the BMA. The customs functions that the BMA will assume responsibility for regarding traveller’s baggage will include:
3. Risk-driven and Manual Compliance Inspections of the Baggage of Targeted Travellers: informed by central risk-driven directives from the SARS compliance centre and also routine inspections based on real time assessments at the Port of Entry. Where there are negative outcomes these compliance inspections will be reported to the back-office SARS Compliance Centre.
4. Collection of Relevant Taxes and Receipt of Payment of Fines from Travellers, where applicable. The BMA will transfer these funds directly to either SARS or the National Revenue Fund.
5. Execution of the Enforcement Functions regarding the Arrest of Travellers and the Seizure of Prohibited or Restricted Goods, where applicable.
6. Handing over the Arrested Persons and Prohibited and Restricted Goods to SAPS.

***End, 23 September 2016***