

INDIRECT TAX **CUSTOMS & EXCISE**

MONTHLY NEWSLETTER

ISSUE 02: February 2025

PART A: AfCFTA - WHAT'S NEW?

AFRICA CONTINENTAL FREE TRADE AREA

News on AfCFTA

January - February 2025 activities

Assessing the AfCFTA's Future Amidst Shifting USA Engagement in Global Trade

On 20 February 2025, H.E. Wamkele Mene, Secretary-General of the AfCFTA Secretariat, addressed the G20 Foreign Ministers' Meeting in Johannesburg. He acknowledged South Africa's G20 presidency and its emphasis on inclusive growth.

In his speech, he highlighted global issues such as protectionism, food insecurity, and climate change, and underscored the AfCFTA's role in fostering industrial development in Africa.

He also introduced the Africa Green Industrialisation Initiative, aimed at promoting green trade and investment to enhance Africa's position in sustainable economic transformation.

This engagement reflected the AfCFTA Secretariat's commitment to using trade and industrial policy to address global economic challenges while ensuring that Africa's integration into the world economy is sustainable and inclusive.

In contrast, the USA's engagement in the G20 appears limited, as evidenced by the absence of Secretary of State Marco Rubio, which has raised questions about a potential boycott of the G20 by the USA.

Norwegian Foreign Minister Espen Barth Eide referred to Rubio's absence as "regrettable," suggesting it signals a decline in U.S. involvement in global affairs. However, this may also indicate the USA's preference for partnerships with nations that align with its interests.

Online reference: AfCFTA Secretary-General Addresses G20 Foreign Ministers on Trade, Industrialisation, and Inclusive Growth (3 March 2025) [<https://au-afcfta.org/2025/02/afcfta-secretary-general-addresses-g20-foreign-ministers-on-trade-industrialisation-and-inclusive-growth/>]; G20 Meeting a Success Despite US Absence, Priorities Backed (3 March 2025) [<https://g20.org/news/g20-meeting-a-success-despite-us-absence-priorities-backed/>]

SAIT customs comment

It is our view that the above discussion raises concerns about the potential success of the AfCFTA should Africa be tempted to distance itself from the USA.

The effectiveness of the AfCFTA may depend on balancing relationships with both global powers and regional partners to foster economic growth.

PART B: AFRICAN BORDERS

News on border traffic

January 2025 – February 2025 activities

Successful facilitation of the G20 foreign ministers' meeting in South Africa

Dr. Michael Masiapato, Commissioner of the Border Management Authority (BMA), announced the successful facilitation of the G20 Foreign Ministers' Meeting held in Johannesburg from 20 to 21 February 2025.

Ministers began arriving on 19 February and departed on 22 February via OR Tambo International Airport and Lanseria International Airport. The BMA, in collaboration with law enforcement, enhanced processing capabilities at these airports, providing dedicated Immigration counters for delegates to ensure efficient processing.

South Africa assumed the G20 Presidency on 1 December 2024. Furthermore, there will be a Heads of State meeting in November 2025, with various sectoral Ministerial meetings planned throughout the year.

The G20 comprises major economies representing significant portions of global GDP, international trade, and population. Each year, the G20 President invites guest countries to participate in discussions.

The BMA, established in April 2023, aims to facilitate the movement of goods and people. As the first African nation to host the G20 Summit, South Africa seeks to demonstrate its border management capabilities to the global community.

Online reference: The BMA has successfully facilitated and welcomed the G20 Ministers in South Africa (3 March 2025). [<https://www.bma.gov.za/the-bma-has-successfully-facilitated-and-welcomed-the-g20-ministers-in-southafrica/>]

SAIT customs comment

It is our view that it is important to celebrate the handling of the G20 event, but the BMA must also focus on providing the same quality of service to regular travellers and businesses crossing our borders.

PART C – SARS CUSTOMS NEWS

General updates: Customs

January 2025 – February 2025

Imports and Exports

The tables below refer to the Prohibited and Restricted Imports and Exports list:

Table 1:

Date	Theme	Description
31 January 2025	Prohibited and Restricted Imports and Exports list	Tariff heading 8507.60* does not require a Letter of Authority

*Note: Tariff subheading 8507.60 refers to “Electric accumulators, including separators therefor, whether or not rectangular (including square) being Lithium-ion.”

Table 2:

Date	Theme	Description
6 February 2025	ITAC Import and/or Export Permits	<p>The following tariff headings are subjected to export ITAC permits:</p> <ul style="list-style-type: none"> 72.04 (excluding 7204.21), 7404.00, 72.05, 72.06, 72.07, 72.18, 72.24, 74.02, 74.03, 74.05, 74.06, 76.01, 76.03, 76.04, 78.01, 79.01 and 80.01. <p>The following tariff headings no longer require export permits:</p> <ul style="list-style-type: none"> 7403.12, 7403.13, 7403.19, 7403.21, 7403.22 and 7403.29. <p>The following tariff headings are subjected to import ITAC permits:</p> <ul style="list-style-type: none"> 8417.10, 8417.80, 8462.32.10, 8462.32.90, 8462.33, 8462.39, 8462.4, 8462.51.20, 8462.51.90, 8462.59.20, 8462.59.90, 8462.61.40, 8462.61.90, 8462.62.20, 8462.62.90, 8462.63.20, 8462.63.90, 8462.69.20, 8462.69.90, 8462.90.30, 8462.90.90 and 8479.89.90

Legal Counsel: Preparation of Legislation

The table below refers to an extract from the Taxation Laws Amendment Act 42, 2024, in which the following amendments, relating to the Customs and Excise Act, 1964 (the Customs Act) are published:

Date	Theme	Description	Effective Date
31 January 2025	Discussion Paper	<ul style="list-style-type: none"> Amendment to Parts 1, 2A, 5A and 5B of Schedule No. 1 – see clauses 41.(1) – 41.5(b) Amendment to Part 4 of Schedule No. 4 – see clauses 42.(1) – (3) Amendment to Part 4 of Schedule No. 5 – see clauses 42.(1) – (3) Amendment to Part 1F of Schedule No. 6 – see clauses 44.(1) – (3) 	Effective dates are specified in clauses 41–44 (retrospectively from 1 January 2002)

SAIT customs comment

SARS proposes changes to the Customs Act to clarify tax laws on petroleum products (tariff subheading 2710.19), addressing an interpretation that could exempt the industry from taxes and require refunds since 2002, which could negatively impact government revenue.

The table below refers to the declaration of sealable goods on board ship:

Date	Theme	Description	Date for comment
6 February 2025	Draft Documents for Public Comment	<ul style="list-style-type: none"> Form DA 5 - Declaration of sealable goods on board ship* 	14 February 2025 C&E_Legislativecomments@sars.gov.za

*Note: Section 9 and the rules of the Customs Act mandates customs sealing of goods on a ship. The master and crew must declare all sealable goods, including unconsumed stores and personal property. Amendments to Form DA 5 were proposed in November 2024 to align with these rules, and further changes are suggested after reviewing comments.

Legal counsel: Secondary legislation – Tariff amendments 2024 - 2025

The table below refers to supplements, herbal or homeopathic preparations:

Date	GG and Notice Number	Description	Implementation date
14 February 2025	GG 52084 R.5854	Amendment to Part 1 of Schedule No. 1, by the insertion of Additional Notes 2 and 3 to Chapter 30 as well as the insertion of tariff subheadings 3004.90.20 and 3004.90.30 to provide clarity on where supplements, herbal or homeopathic preparations should be classified	14 February 2025

SAIT customs comment

Additional Notes 2 and 3 of Chapter 30 mentioned above can be summarized to cover the following:

- Subheadings 3004.50, 3004.90.20, and 3004.90.30 cover herbal or homeopathic medicinal preparations containing vitamins, minerals, essential amino acids, or fatty acids for retail sale. These must include specific labelling on diseases, active substance concentrations, dosage, and application methods.
- For vitamin-based preparations, the active substance level must exceed the recommended daily allowance. Upon import, these medicinal products require a certificate of registration, a license for import, or a confirmation letter from the South African Health Products Regulatory Authority.

The tables below refer to the AfCFTA Agreement:

Table 1:

Date	GG and Notice Number	Description	Implementation date
21 February 2025	GG 52150 R.5878	Amendment to Schedule 1, by the substitution of Appendix IV to Annex 2 on Rules of Origin in the General Notes, to facilitate ease of preferential trade among the implementing countries under the AfCFTA Agreement	With effect from 21 February 2025

Table 2:

Date	GG and Notice Number	Description	Implementation date
21 February 2025	GG 52150 R.5878	Amendment to Schedule No. 1, by the substitution of paragraph 1 of General Note O, to include Morocco, Burundi and Uganda as part of the State Parties in the AfCFTA Agreement	With effect from 21 February 2025

The table below refers to anti-dumping duty:

Date	GG and Notice Number	Description	Implementation date
21 February 2025	GG 52153 R.5898	Amendment to Part 1 of Schedule No. 2 of the Customs Act, by the insertion of item 204.05/2102.10/01.06, to impose *anti-dumping duty on imports of active yeast imported from or originating from the Republic of Zimbabwe (ITAC Report 741)	With effect from 21 February 2025

*Note: The recommended anti-dumping duties on active yeasts (baker’s compressed yeast) listed in the “rebate item” column in Schedule No. 2 of the Customs and Excise Act may not be imported under rebate of customs duty without payment of anti-dumping, countervailing and safeguard duties without a recommendation from ITAC.

SAIT customs comment

The ITAC report 741 can be summarized as follows:

- On 18 August 2023, ITAC initiated an investigation into the dumping of baker’s compressed yeast from Zimbabwe following a complaint from Rymco (Pty) Ltd, trading as Anchor Yeast, the sole producer of this product in the Southern African Customs Union.
- The investigation revealed that the yeast was being imported at dumped prices, causing material harm to the local industry.

Confirmation of Access to Customs Amendments:

All Customs amendments and proposed amendments were accessed from the specified web address:

Online reference: SARS: What's new at SARS (26 February 2025) [<https://www.sars.gov.za/whats-new-at-sars/>]

SAIT summary of the case

The case of Turners Shipping (Pty) Ltd vs. SARS involved allegations of customs infractions, including misrepresentation regarding fuel exports. SARS determined that Turners Shipping and its clients, BP and Shell, unlawfully claimed diesel refunds.

The court ruled that SARS could hold Turners Shipping liable for the export value of the goods due to their role in submitting false information. It upheld SARS's authority to reclaim duties and forfeiture related to the unexported fuel.

The case emphasized the risks of relying heavily on clearing agents, underscored compliance responsibilities, and highlighted potential damage to a company's reputation due to fraud and mismanagement.

PART D – GENERAL MATTERS OF INTEREST

Challenges and Opportunities in South Africa's National Budget and Economic Strategy

The proposed two-percentage-point VAT increase has raised concerns about priorities in the National Budget and the stability of the Government of National Unity (GNU).

With the budget now delayed, analysis of the scrapped budget documents reveals how the National Treasury planned to address strategic priorities in the Medium-Term Development Plan (MTDP). It is essential to explore alternatives for raising revenue that do not involve a VAT increase.

Stats SA reported 12.3 million unemployed individuals, with over 18 million living below the food poverty line. The National Treasury's focus on debt stabilization through expenditure cuts and limited tax increases may, in the short term, address some of the underlying economic realities.

The scrapped 2025 National Budget reflected a compromise that sought to limit budget cuts while proposing tax increases on the poorest. The postponement of the budget may present both opportunities and risks.

A potential risk is the increase in poverty and social inequality resulting from tax increases of the poorest segments of the population, which could worsen existing economic challenges and hinder overall growth.

A possible opportunity lies in including a segment on international trade with the sole aim of attracting foreign investment and promoting exports of manufactured products.

Maintaining trade relationships with nations that require South Africa's products, such as manufactured products, fruits, nuts, and minerals, is essential. The government should consider cost-cutting measures while striving for efficiency.

In these challenging times, expanding the export market could be a key strategy for South Africa's progress.

Online reference: Postponed budget opens door for alternatives (3 March 2025) [https://iej.org.za/iej-statement_postponed-budget-opens-door-for-alternatives/]

PART E – CONCLUSION

Enhancing Efficiency in Customs: A Pathway to Improved Revenue Collection During Financial Challenges

In challenging financial times, the efficiency of government agencies, particularly Customs, becomes increasingly critical for maintaining economic stability and generating revenue.

Recent discussions have centred around the proposal to increase VAT from 15% to 17% to address budget deficits. However, there is a compelling case to be made for enhancing the collection of VAT, Customs, and Excise taxes as an alternative or complementary strategy. Improving these revenue streams can alleviate the need for tax increases that disproportionately affect lower-income individuals.

The primary objective of Customs is to facilitate trade while ensuring compliance with tax regulations. Effective management of this agency can lead to significant revenue generation without placing additional burdens on taxpayers.

To achieve this, it is essential that government staff are adequately trained and remain motivated. Training should focus not only on compliance and regulatory requirements but also on the use of technology and data analytics to enhance efficiency in tax collection processes. By equipping staff with the necessary skills and knowledge, Customs can improve its operational effectiveness and ensure that tax collection is both fair and efficient.

Motivation is another crucial factor. A well-motivated workforce is more likely to perform effectively and show commitment to their roles. Government agencies

must foster a positive work environment that encourages staff to take pride in their responsibilities. This can be achieved through recognition programs, career development opportunities, and adequate compensation. When employees feel valued and engaged, they are more likely to go above and beyond in their duties, resulting in improved tax collection outcomes.

Moreover, for Customs to operate effectively, the government must create an environment free from corruption. Corruption undermines the integrity of tax systems and erodes public trust in government institutions. It is imperative for government leadership to demonstrate a strong commitment to transparency and accountability. Implementing strict anti-corruption measures, along with regular audits and oversight, can help deter corrupt practices within Customs and other government agencies. This fosters a culture of integrity, ensuring that tax revenues are collected fairly and used to benefit the public.

Tax evasion remains a significant challenge that can severely impact revenue collection. It is essential for the government to prioritize the eradication of tax evasion through targeted strategies. This includes enhancing enforcement measures to detect and penalize non-compliance while also promoting voluntary compliance through education and outreach programs. By raising awareness about the importance of tax compliance and the consequences of evasion, Customs can encourage individuals and businesses to fulfil their tax obligations willingly.

Additionally, the integration of technology can play a pivotal role in improving efficiency within Customs. Digitalization of tax collection processes can streamline operations, minimize errors, and reduce the administrative burden on both taxpayers and government staff. Implementing electronic declaration, ruling and refund systems, automated payment methods, and data analytics can enhance the accuracy and efficiency of Customs and other indirect tax collections. By leveraging technology, Customs can create a more seamless experience for taxpayers while also increasing revenue.

In conclusion, during difficult financial times, it is crucial for government agencies like Customs to operate efficiently to bolster revenue collection. While discussions about increasing VAT are important, improving the collection of existing indirect taxes can provide a more equitable solution.

This requires adequately trained and motivated staff, a commitment to transparency and integrity, and the eradication of tax evasion. By focusing on these areas, the government can enhance its capacity to collect taxes effectively, thereby supporting national development goals and ensuring economic stability without placing additional burdens on citizens.

Efficiency within Customs not only helps address budget deficits but also fosters public trust and confidence in government institutions.

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