



**SALDANHABAY**  
INDUSTRIAL DEVELOPMENT ZONE

# SARS SOP: SEZ CCA AND FISCAL INCENTIVES

Saldanha Bay  
IDZ Licencing Company  
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## FOREWORD

**The Saldanha Bay IDZ Licencing Company (SBIDZ-LC) is the licensee and operator of the Saldanha Bay Industrial Development Zone (SBIDZ) which is located 100 km north of Cape Town in South Africa. It has a 365 ha footprint and is located within the Port of Saldanha Bay, South Africa's largest natural anchorage and port with the deepest water at 23 m. The SBIDZ was designated as a Special Economic Zone (SEZ) by the Minister of Trade and Industries in October 2013, thus marking the formal beginning of the 30-year journey to create a vibrant hub of opportunity, job creation and sustainable growth, utilising the SEZ legislation (SEZ Act No. 16 of 2014) as a catalyst.**

The SBIDZ is the first Free Port and Special Economic Zone to be located within a port and is the only sector-specific SEZ in South Africa catering specifically to the oil and gas, maritime fabrication, repair industries and related support services. Businesses and investors can lease land that has bulk services and office space in the Access Complex shared services building.

The *Ease of Doing Business* has been identified as a value proposition necessary for the attraction and retention of both local and foreign investors to the zone.

The SBIDZ-LC ease of doing business is an investor-responsive and proactive approach that delivers a One Stop Shop, develops systemic and sustainable models with key partners, provides efficient and effective interventions on behalf of our partners and makes it easy to access information and services. We have compared how South Africa conducts business in the oil & gas and marine services sectors in relation to some industry specialist locations such as Australia, Dubai, Ghana, Nigeria, Norway, Singapore and the UK.

**This has culminated in the offer of an array of support to allow for the ease of doing business, such as:**

- Established relationships with both public and private sector service providers
- Zoning and Environmental Impact Assessments (EIAs)
- Streamlined, easy to understand Investor procedures
- Skilled labour and quality suppliers
- Assistance in securing funding and incentives
- Dedicated skills and enterprise development programmes

The Government Technical Advisory Centre (GTAC) has provided expert advisory services to the SBIDZ-LC since 2017 to develop the business case for South Africa's first Free Port, in the SBIDZ and Port of Saldanha Bay. GTAC is an agency of the National Treasury established to support the public finance management through advisory service, programme and project management and transaction support.

GTAC has played a key role in our vision of becoming a location of choice to the marine traffic passing South Africa's coast, through the work done, and still ongoing, with the SBIDZ- LC ease of doing business offering.

Engagements with the National Treasury (NT) and South African Revenue Service (SARS) were instrumental to this work. This resulted in the designation of the SBIDZ as a Customs Control Area (CCA) in July 2019. It enables the global definition as pertains to the movement of goods and trade through a Customs and Excise regime.

This first edition of the SARS Operating Procedures unpacks how our investors can understand and make use of the Fiscal Incentives available to all investors operating in a Special Economic Zone (SEZ) and, in our case, the added advantage of being in a CCA / Freeport.

There are as many as 26 possible transactions for a business in the zone that imports, value adds, stores and re-exports their products. This booklet has simplified these and offers further support that will guide and enable investors to understand what is available and how their business and operations can qualify and make use of the available incentives.

A big thank you to the SARS Customs and Excise, Legal and Tax officials ranging from Head Quarters in Pretoria, the Western Cape Provincial Office and the Port of Saldanha Bay representatives, who have walked this journey with us offering their knowledge and support.

Thank you also to the GTAC Project Team who have seen the vision and continue to work with us in bringing it to life.

This work would not be possible without these partners.



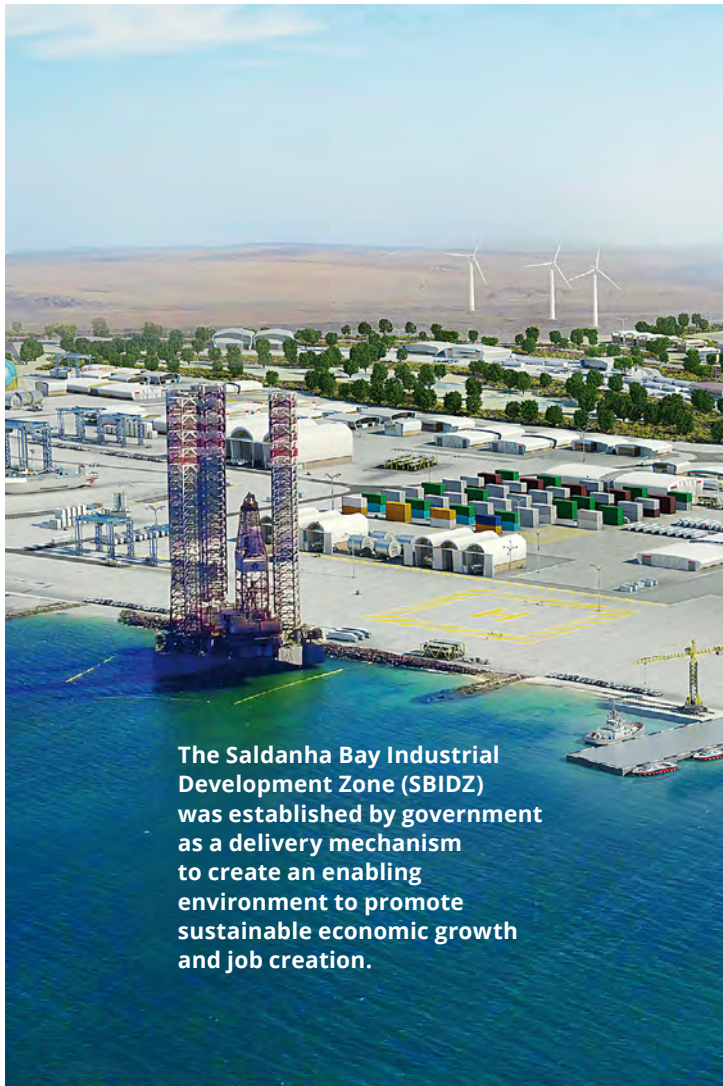
*NOTE: This booklet does not replace legal and professional tax, customs and incentive guidance and services. Investors are encouraged to obtain their own legal advice before making final investment decisions.*

*The editions are dated and all information contained is according to legislation prior to dates of publication.*

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**The Saldanha Bay Industrial Development Zone (SBIDZ) was established by government as a delivery mechanism to create an enabling environment to promote sustainable economic growth and job creation.**

# 1

## INTRODUCTION

**The SBIDZ is intended to be an oil and gas, maritime engineering and services industrial estate, serving the needs of the upstream exploration and production service companies operating in the oil and gas fields in sub-Saharan Africa and other international markets, while providing capacity for marine repair, engineering and logistics beyond this sector.**

The SBIDZ is both a registered and a duly designated Special Economic Zone (SEZ) and a Customs Control Area (CCA). This document sets out the standard operating procedures which need to be followed by SBIDZ tenants who wish to access the available SEZ and CCA incentives.

This document should not be used as a legal reference. While it has been prepared to assist investors to understand the applicable legal regime, investors are encouraged to obtain their own legal advice before making final investment decisions.

The South African Revenue Service (SARS) is the nation's tax-collecting authority. It was established in terms of the South African Revenue Service Act 34 of 1997 as an autonomous agency. This operating procedure covers their responsibility area in administering Customs and Excise and Tax compliance and their support initiatives for the Special Economic Zones.



## 2

### SEZ INCENTIVES

#### 2.1 Introduction to SEZ incentives

**Special Economic Zones (SEZs) are demarcated geographical areas contained within a country's national boundaries where the infrastructure offering, governance structure and the rules of business are different from those that generally prevail in the national territory.**

These differential rules principally deal with investment conditions, international trade and customs, taxation, labour policies and sector-specific aspects of the regulatory environment relevant to the host economy, whereby the zone is given a business environment that is intended to be more liberal from a policy perspective and more effective from an administrative perspective than that of the national territory.

The objective of an SEZ policy is to use an investment-friendly operating environment to allow business to thrive and add value to the economy, whether in terms of jobs, investments, exports, economic diversification or other policy objectives. Ultimately, SEZs are designed as instruments of trade, investment and spatial industrial policy. SEZs are designed to facilitate trade and attract foreign direct investment – virtually all SEZ programmes have as one of their main objectives the promotion of trade, normally exports, and most aim to do this primarily by attracting Foreign Direct Investment.

**Broadly, incentives offered in SEZs can be grouped into two main categories:**

- **Fiscal incentives** entail government revenue contribution exemptions that are otherwise due by the general population. They include both incentives related to corporate taxes, i.e. corporate income tax (CIT), value-added tax (VAT), export tax, property tax, withholding tax and customs duties on the import and export of products. Examples of tax incentives are: tax holidays, special deductions, credits and deferrals.
- **Financial incentives** are direct or indirect transfers of funds/liabilities to benefit a particular business/activity/sector; or advantageous provisions of goods and services; or specific payments-in-kind, which benefit only the investor in question. Examples of financial incentives are: matching grants, reduced interest rate loans, and reduced prices on land.

Both fiscal and financial incentives are, or can be, quantifiable and are directed towards specific types of enterprises with a goal of steering investment into a particular area or to influence their character and behaviour.

The Industrial Development Zone (IDZ) programme formed part of South Africa's early initiatives to promote the growth of South Africa's industrial base and encourage investment in, and exports from, South Africa.

**As highlighted in the IDZ Operational Guidelines, the key objectives of the IDZ programme were to:<sup>1</sup>**

- Position South African-based manufacturing industries to meet the challenges of globalisation;
- Attract advanced foreign production and technology methods in order to gain experience in global manufacturing and production networks through attracting Foreign Direct Investment;
- Develop linkages between local and international-based industries;
- Provide world-class infrastructure and proximity to international ports to offer low cost and efficient logistics services; and
- Provide services to facilitate overcoming administrative hurdles for investors securing permits required for their operations.

**The Department of Trade, Industry and Competition (DTIC) believes that the SEZ policy is a necessary shift from the IDZ programme for a number of reasons:<sup>2</sup>**

- The SEZ programme will focus not only on coastal regions but on any region that can justify the establishment of an SEZ.
- The SEZ programme will offer a holistic package of incentives (including tax, customs, investment and infrastructure development incentives) as opposed to the IDZ programme which had an ad hoc approach.
- The SEZ programme, when compared to the IDZ programme, will focus more fully on the development of regional industrial ecosystems.

The Special Economic Zones Act has laid out a relatively complex institutional, governance and operational environment for SEZs, summarised in Figure 1 on page 15.

The key stakeholders and their main role, functions and activities are set out on page 15 onwards.



*Figure 1: SEZ architecture for public sector licensee*

## 2.1.1 Minister of the Department of Trade, Industry and Competition (DTIC)

**The DTIC Minister is provided with extensive powers under the SEZ Act. This includes the following:<sup>3</sup>**

- Appointing the national SEZ Advisory Board
- Awarding licences for an SEZ area and the licensing of SEZ operators based on recommendations from the national SEZ Advisory Board, or unilaterally
- Prescribing the type of service and business that may be located in an SEZ, after consultation with the Minister of Finance
- Design, administering and implementing support measures and programmes for SEZ operators and businesses operating within SEZs (with the concurrence of any other Ministers where these support measures or programmes may reside)
- Establishing an SEZ Fund (with the concurrence of the Minister of Finance)
- Determining the SEZ policy (after consultation with the national SEZ Advisory Board)
- Determining the SEZ strategy (after consultation with the national SEZ Advisory Board)
- Appointing an administrator to take over the functions of the SEZ entity board (after consultation with the national SEZ Advisory Board, the SEZ entity board<sup>4</sup> and the SEZ Licensee, or unilaterally upon evidence of mismanagement of the SEZ entity)

- Withdrawing designation of the SEZ (after consultation with the SEZ Advisory Board)
- Determining regulations regarding the governance principles of SEZ entity boards (including term of office, code of conduct and disclosure of interest principles).

In addition to this, SEZ Entities (through SEZ entity boards) are required to submit a range of financial, governance and business plan reports to the DTIC Minister. Effectively the SEZ programme's overall strategic planning and implementation decisions are centralised under the DTIC Minister.

## 2.1.2 SEZ Licensee

**The SEZ Licensee is the organ of state or public private partnership (PPP) responsible for applying to the DTIC Minister for an area to be designated as an SEZ.**

The applicant is required to satisfy and demonstrate how the specific area to be designated aligns with the national industrial development objectives as well as specific objectives outlined in the SEZ Act. In addition, the SEZ Licensee is required to have “sufficient access to financial resources and expertise for the development, operation, management and administration” of an SEZ.<sup>5</sup>

### 2.1.3 Function of the SEZ Operator

**The SEZ Board established to govern the SEZ Entity is responsible for undertaking a fair and transparent procurement process to appoint an SEZ Operator to develop, operate and manage the SEZ on behalf of the SEZ Board.**

However, the appointed SEZ Operator must also apply for an SEZ Operator Permit which is awarded to the SEZ Operator by the DTIC Minister, on recommendation of the SEZ Advisory Board.

**The functions of the SEZ Operator are outlined in the SEZ Act, as follows:<sup>6</sup>**

- Implement the strategic plan for the SEZ within the framework of the SEZs strategy
- Make improvements to that SEZ and its facilities according to a written agreement
- Provide or facilitate provision of infrastructure and other services required for that SEZ to achieve its strategic and operational goals
- Provide adequate demarcation of the SEZ from any applicable customs territory for the protection of revenue together with suitable provision for the movement of conveyances, vessels and goods entering or leaving that SEZ
- Provide adequate security for all facilities in the SEZ
- Adopt rules and regulations for businesses within the SEZ to promote their safe and efficient operation

- Maintain adequate and proper accounts and other records in relation to its business and report in the manner prescribed or required on the activities, performance and development of the SEZ to the Minister and as required under any other legislation
- Promote the SEZ as a foreign and domestic direct investment destination, in consultation with the Advisory Board
- Recommend to the SEZ Board whether to approve an application by a business to locate within the SEZ
- Apply to the Minister for financial and support measures in the form and manner prescribed
- Facilitate a single point of contact or one stop shop that delivers the required government services to businesses operating in the SEZ to provide simplified procedures for the development and operation of that SEZ and for setting up and conducting business in that SEZ
- Undertake any other activity within the scope of the Act to promote the effective functioning of the SEZ.

## 2.1.4 Businesses locating in the SEZ

**The SEZ Act provides that the DTIC Minister may, after consultation with the Minister of Finance, prescribe the type of service business that may be located in an SEZ. The SEZ Regulations provide that the following types of service or business are eligible to apply to locate in an SEZ:**

- A business conducting manufacturing activities
- A business performing internationally tradable services
- A business providing warehousing and distribution and logistics services.

Further, businesses that do not conform to one of the above may also be eligible to apply to locate in an SEZ if:

- ✓ Such a business provides services or sells goods which support the business located in the SEZ
- ✓ The number of services of businesses and the area they occupy in the SEZ do not exceed the number and area provided for by the DTIC.

Businesses wishing to locate in an SEZ must apply to the SEZ entity board which may, after considering the recommendations of the SEZ Operator, approve the application.

**Currently, there are a number of tax and fiscal incentives which may be applicable to businesses locating in the SEZs:**

- Exemption / relief from VAT and customs duties, where goods are brought into a Customs Clearance

Area (CCA) and are identified as raw materials or machinery being used in the manufacturing process. Firms may qualify for this relief only where they (or the SEZ in which they are located) have compliant CCAs as designated by the South African Revenue Service (SARS).

- Access to the Employment Tax Incentive (ETI) (under the ETI Act), which aims to incentivise the employment of lower-skilled and low-wage employees and applies to employees working in businesses located within SEZs, and earning less than R6 000 per month. Firms benefit by being allowed to offset (or be reimbursed) a proportion of the qualifying employees' salary from the firm's pay as you earn (PAYE) liability to SARS. The Employment Tax Incentive Act requires that the Minister of Finance designate the SEZ by notice in the *Government Gazette*.
- Reduced corporate income tax rate of 15% (versus the standard rate of 28%) for qualifying companies (under Section 12R of the Income Tax Act) located in an SEZ. Companies located in an SEZ but that undertake a set of excluded manufacturing activities do not qualify for a reduced corporate tax rate. This incentive is only available after an SEZ designated by the Minister of the DTIC has been approved by the Minister of Finance through a notice in the *Government Gazette*. Further, the Minister of Finance must approve an SEZ for this incentive only after considering the financial implications on the State of approving the incentive for that SEZ. *The incentive is available up to 2024 or 10 years after the commencement of a business in an SEZ (currently under review).*

- Building allowance incentive, with qualifying companies within an SEZ (under Section 12S of the Income Tax Act) being able to deduct 10% of the cost of new building or building improvements from their taxable income. This incentive is available up to 2024. Qualification for this incentive requires the same SEZ approval process as the corporate income tax rate incentive above.
- Capital investment and training allowances for qualifying greenfield and brownfield industrial policy projects (under Section 12I of the Income Tax Act). Industrial policy projects are manufacturing projects that have been approved by the Minister of Trade, Industry and Competition after considering recommendations from an adjudication committee. This approval must be in accordance with regulations (gazetted in 2010) issued by the Minister of Finance determining the factors to be considered when approving projects. The Minister of the DTIC may also approve an industrial policy project with “preferred” status, with this status providing greater incentives. Qualifying projects within an SEZ can deduct up to 75% of the asset cost (and up to 100% for preferred projects) from taxable income. A company may also deduct from taxable income R36 000 per employee for training, up to a maximum of R20 million (R30 million for preferred projects). Qualifying taxpayers may access these incentives by claiming them in the appropriate fields of their normal annual corporate income tax return.

The number of allowances highlighted above suggests that South Africa’s SEZ policy may have an attractive tax incentive bundle for investors wishing to locate in South Africa.

The SBIDZ is, for the purposes of both the Special Economic Zone (SEZ) Act and s 21 A of the Customs and Excise Act considered to be a Special Economic Zone. In addition, the SBIDZ has obtained CCA status from SARS and as such enjoys the status of a Free Port as envisaged in the SEZ Act.

## 2.2 Reduced corporate tax rate of 15%

**Most South African companies are subject to an annual income tax charge of 28% on their taxable income. In simplified terms, the taxable income of a company consists of a company’s annual earned income excluding certain exempt income, less permissible expenses and allowances.**

Qualifying companies carrying on business with an SEZ are subject to a reduced corporate income tax rate of 15% (under Section 12R of the Income Tax Act).

**Qualifying companies are described by the section as being a company which:**

- Is incorporated by or under a South African law or which has its place of effective management in the Republic. In other words, it must be a company which is lawfully trading within South Africa and which in the normal course of events would be liable for South African income tax

- Carries on its trade with a duly designated SEZ. As noted previously, the SBIDZ is a duly designated SEZ and as such entities located within the SEZ would meet this requirement
- Carries on its trade from a fixed place of business within the SEZ. In other words, the trade must be conducted within the SEZ and the business cannot simply have an address within the SEZ and conduct its activities elsewhere
- Derives at least 90% of its income from trade carried on within one or more SEZ. This requirement means that an entity is unlikely to qualify for this rebate if it conducts trading activities outside of one or more SEZ zones.

**Companies located in an SEZ that undertake a set of excluded manufacturing activities do not qualify for a reduced corporate tax rate. Excluded activities include:**

- Distilling, rectifying and blending of spirits (SIC Code<sup>8</sup> 1101)
- Manufacturing of wines (SIC Code 1102)
- Manufacturing of malt liquors and malts (SIC Code 103)
- Manufacturing of tobacco products (SIC Code 12)
- Manufacturing of weapons and ammunition (SIC Code 252)
- Manufacturing of bio-fuels if that manufacturing negatively impacts on food security in the Republic

- Any other activity classified in the SIC code which the Minister of Finance has designated

There is also an exclusion on an entity as a qualifying company if more than 20% of expenditure or income of the entity is incurred or accrued with connected persons. Connected persons are considered to be residents of South Africa or an entity of a non-resident which is permanently located in South Africa. The connected person provisions apply to entities be they companies or other forms of trading entities. Special care should be taken not to fall foul of this provision, failing which the normal tax rate will apply.

It is important to note that this incentive has a sunset clause of 10 years from the date on which trading activities commenced within the zone.

Qualifying taxpayers may access these incentives by claiming them in the appropriate fields of their normal annual corporate income tax return.

## 2.3 Accelerated depreciation allowance / building allowance

**Qualifying companies conducting business within the SEZ are entitled to claim certain deductions in respect of a building allowance incentive (under Section 125 of the Income Tax Act). They may deduct 10% of the cost of new building or building improvements from their taxable income. This incentive is available up to 2024. Qualification for this incentive requires the same SEZ approval process as the corporate income tax rate incentive discussed in 2.2.**

## 2.4 Employment tax incentive with no age limit in an SEZ

The employment tax incentive (ETI) is an existing tax incentive designed to encourage the employment of young persons. It allows employers hiring people 18 to 29 years old to reduce the amount of employees' tax paid on behalf of their employees while leaving the wage received by the employee unaffected. Effectively this creates a cost-sharing mechanism between employers and government in respect of employee wages.

The ETI is made more attractive for employers operating their businesses within an SEZ, as there is no hiring age limitation applicable; that is, the ETI applies regardless of the age of the relevant employee. Whereas the current legislation excludes employers located within an SEZ from this age limitation, only employers, approved by the Minister of Finance in the *Government Gazette*, located within an SEZ can avail themselves of the age exemption. The Minister of Finance is still to publish

such a *Gazette*, so only the normal ETI incentives would be applicable to entities operating within the SBIDZ.

Qualifying taxpayers may access these incentives by claiming them in the appropriate fields of their normal monthly employer declaration (EMP 201) returns.



# 3

## CCA REGISTRATION AND APPLICABLE INCENTIVES

### 3.1 Introduction to Customs Controlled Areas

**A Customs Controlled Area (CCA) is a mechanism to exempt qualifying entities, Customs Control Area Enterprises (CCAЕ), from the payment of duties or VAT in certain instances. A CCAЕ is a company licensed by SARS Customs to provide temporary storage of imported goods and excise or that is registered to manufacture goods.**

Only enterprises located within a CCA of an SEZ are eligible for the relief from import customs and excise duties on goods imported into the CCA. The relief amounts to a full rebate of import customs and excise duties on all goods imported into a CCA by a CCA enterprise.

This means that the payment of customs and excise duties on any goods imported into a CCA in an SEZ would be suspended, translating to a significant cash flow benefit for any enterprise located there. This has been accomplished by the creation of a specific rebate provision in the customs and excise legislation, that is, rebate item 498.01.

Application for registration must be made on Form DA 185 and its relevant annexures. Particular note must be taken of the supporting documents and information that must be submitted to SARS as specified in the application form. A separate registration / licence is required in respect of each type of activity for which registration or licensing is required. Once a CCA or a CCAE is registered, the registration is normally for an indefinite period and would not need to be renewed annually. There are no fees associated with this application. In such an instance a single DA 185 may be filed but separate supporting annexures must be included. Possible relevant annexures are detailed in the sections below.

### 3.2 Application for registration as a CCAE

**The DA 185 Application Form: Registration and Licensing of Customs and Excise Clients<sup>9</sup> as well as a guide<sup>10</sup> on how to complete the form may both be downloaded from the SARS website.**

In general, the DA 185 form is self-explanatory and easy to work through. It should, however, be noted that section 5 of the form lists the various annexures which need to be completed when submitting the application. A separate annexure must be completed per category of application, but these can be attached to a common DA 185. There are two main annexures which are likely to apply to a CCAE, namely a CCAE Storage Warehouse, requiring the completion of the DA 185 4B9 annexure as well as a CCAE Manufacturing Warehouse, requiring the completion of the DA 185 4B10. Both of these

warehouses are licensed by SARS for a calendar year running from 1 January to 31 December and licences need to be renewed annually. The CCAE registration itself is normally for an indefinite period and would not need to be renewed annually. There are no fees associated with this application.

Once an entity has been approved as a CCAE, there are a number of possible fiscal benefits available to them. The document now turns to an examination of the possible customs and VAT treatments of the supply of goods and / or services to and from a CCAE.

### 3.3 Customs and VAT implications of supply of goods and / or services to and / or from a CCAE

**The value-added tax (VAT) and customs regime was amended to allow, in special circumstances, for goods and services that are acquired from the domestic market to receive a rebate against excise levies and / or to be charged with VAT at 0% and to allow the import of goods to be exempt from VAT.**

These incentives are available to a business that is situated in a CCA of an SEZ. Importantly, the incentives apply only in the CCA of the SEZ and not to other areas within the SEZ. In the case of the SBIDZ, the entire SEZ has been declared a CCA, so this incentive is applicable if other conditions are met.

A qualifying entity will need to apply to SARS for registration as a CCAE as discussed in 3.2 above. Once such registration has been approved, the CCAE must also be registered as an importer for customs purpose, under the applicable rebate item. Once registration is obtained, the CCAE will be able to access the customs and VAT incentives.

**The incentives include:**

- Goods and services supplied by a South African VAT-registered vendor into the CCA, for the CCAE, will carry a zero VAT charge, instead of the current 15% VAT charge.
- Goods imported into the CCA, by the CCAE for purposes of the CCA, will carry no VAT charge (being an exemption from VAT upon importation), instead of carrying a VAT charge of 15%. However, goods subsequently sold by the CCAE into the domestic market will carry the standard VAT charge of 15%.
- If the import is from a non-Botswana, Namibia, Lesotho and Swaziland country, the upliftment of 10% on the value of the import, is also not applicable.
- Qualifying items under rebate 498 effectively zero-rates the excise on the item.

In order for SARS to properly manage the VAT incentive, the CCAE and the VAT-registered vendor making the supply into the CCA are required to obtain, complete and retain a VAT 267 form.

In the company income tax space, an entity will need to complete the relevant SAD 500<sup>11</sup> (Customs Declaration Form) or SAD 502<sup>12</sup> (Customs Declaration Transit Control Form).

**This section of the document examines the supply of goods and / or services to and / or from a CCAE and the implications of such supply on the customs and VAT treatment of these transactions. There are seven main categories of entities with which a CCAE transacts namely transactions with:**

- RSA storage warehouses
- Foreign suppliers
- Foreign purchasers
- RSA rebate manufacturers
- Supplying vendors
- Receiving vendors
- Other CCAE entities

There are a total of 26 transactions which could apply across these seven areas, each with their own separate customs and VAT treatments. These possibilities are set out in the following sections.

### 3.3.1 RSA storage warehouses

**This type of warehouse has been approved by SARS Customs and Excise to provide secure temporary storage of dutiable goods.**

It is possible that a CCAE will interact with a storage warehouse both in terms of receipt and / or supply of movable goods.

### 3.3.1.1 Supply of imported movable goods by an RSA Storage Warehouse to a CCAE Storage Warehouse

#### **Customs treatment:**

Clearance of goods for re-warehousing in bond (SAD 500 and SAD 502 – E 43-40, E 43-41, or E 43-44 / E 44-43).<sup>13</sup>

#### **VAT implications for the CCAE:**

In such an instance the supply of goods does not attract VAT.

#### **Documentation to be available at time the goods enter the CCA:**

- The RSA Storage Warehouse must issue a tax invoice at the zero rate.
- The RSA Storage Warehouse must issue a delivery note or other document indicating that VAT was levied on the supply at the zero rate in order to facilitate the entry of the goods into the CCA where a tax invoice is not issued at the time the goods enter the CCA.

### 3.3.1.2 Supply of imported movable goods by an RSA Storage Warehouse to a CCAE Rebate Stockist / Manufacturer

#### **Customs treatment:**

Clearance of goods ex-warehouse for rebate of duty (SAD 500 – Rebate Item 498.01 / 02<sup>14</sup> – J 80-40, or J 80-41 or J 80-44).<sup>15</sup>

It is possible that the movable goods are supplied before or after entry for home consumption. Each of these scenarios are dealt with below. The documentation to be available at the time the goods enter the CCA is the same in both instances and follows at the end of this subsection.

#### **VAT implications for the CCAE when goods supplied before entry for home consumption:**

The supply is zero-rated under section 11(1)(u) as the imported movable goods are not entered for home consumption. The subsequent entry of the imported movable goods for home consumption will be exempt from VAT under section 13(3), read with Item No. 498.01/00.00/01.00 in paragraph 8 of Schedule 1 where the CCAE Rebate Stockist / Manufacturer / IDZ Operator intends to import and enter the imported movable goods for home consumption into a CCA.

#### **VAT implications for the CCAE when goods supplied after entry for home consumption:**

There are no VAT implications where the supply was zero-rated under section 11(1)(m) or the goods were exempt on importation under section 13(3), unless the CCAE Rebate Stockist / Manufacturer acquired such goods for the purposes of which a deduction of input tax would have been denied under section 17(2), or the goods are not wholly for consumption, use or supply in the course of making taxable supplies. In this instance, such goods are deemed to be supplied by the CCAE Rebate Stockist / Manufacturer under section 18(10). An output tax adjustment must be made in the same tax period in which such goods were acquired.

In the event that VAT was levied under section 7(1)(a) or (b) on the acquisition of the goods the VAT amount may be deducted to the extent it constitutes “input tax” as defined in section 1(1), subject to sections 16(3)(a)(i), 16(2), 17 and 20.

**Documentation to be available at time the goods enter the CCA:**

- The RSA Storage Warehouse is required to issue a tax invoice to the CCAE Rebate Stockist / Manufacturer at either—
  - (a) the zero rate under section 11(1)(u);
  - (b) the standard rate under section 7(1)(a); or
  - (c) the zero rate under section 11(1)(m).
- The RSA Storage Warehouse must issue a delivery note or other document indicating that VAT was levied at either the standard rate or the zero rate in order to facilitate the entry of the goods into the CCA where a tax invoice is not issued at the time the goods enter the CCA.

**3.3.1.3 Supply of imported movable goods by CCAE Storage Warehouse to an RSA Storage Warehouse**

**Customs treatment:**

Clearance of goods for re-warehousing in bond. This clearance only applies to goods which are subject to duty (SAD 500 and SAD 502 – E 43-40, or E 43-41, or E 43-44 / E 44-43).

**VAT implications for the CCAE:**

The CCAE Storage Warehouse must levy VAT on the supply of the imported movable goods at the zero rate under section 11(1)(u), as the imported movable goods are supplied to the RSA Storage Warehouse before the goods are entered for home consumption.

**Documentation to be available at time the goods exit the CCA:**

- The CCAE Storage Warehouse must issue a tax invoice to the RSA Storage Warehouse at the zero rate.
- The CCAE Storage Warehouse must issue a delivery note or other document indicating that VAT was levied at the zero rate in order to facilitate the exit of the goods from the CCA where a tax invoice is not issued at the time the goods exit the CCA.
- The CCA Storage Warehouse must obtain and retain the documentary proof required under section 11(3), read with Interpretation Note 31.

**3.3.2 Foreign suppliers**

This category deals with the supply of movable goods to a CCAE.

**3.3.2.1 Supply of movable goods by a Foreign Supplier to a CCAE Rebate stockist / Manufacturer / where the movable goods are imported and entered into a CCA**

**Customs treatment:**

Clearance of goods for importation for home consumption under rebate of full duty.

CCAЕ Rebate Stockist / Manufacturer: SAD 500 (Customs declaration form) – Rebate Item 498.01 – J 80-00, or J 80-20. In the case of goods imported from Botswana, Lesotho, Namibia or Swaziland: SAD 500 – D 37-00, SAD 502 (transit) and subsequently SAD 500 – Rebate Item 498.01/02) – J 80-00.

**VAT implications for the CCAE:**

The importation of the movable goods is exempt from VAT under section 13(3), read with Item No. 498.01/00.00/01.00 in paragraph 8 of Schedule 1.

**Documentation to be available at time the goods enter the CCA:**

The Foreign Supplier will not issue a tax invoice as the Foreign Supplier is not a vendor in the Republic. The Foreign Supplier will issue a commercial invoice or similar document as envisaged in the Foreign Supplier's tax legislation.

### 3.3.2.2 Supply of movable goods by a Foreign Supplier to a CCAE Storage Warehouse where the movable goods are imported and entered into a CCA

**Customs treatment:**

Clearance of goods for importation into a bonded warehouse (SAD 500 – E 40-00 / E 42-00 and SAD 505)

In the case of goods imported from Botswana, Lesotho, Namibia or Swaziland: SAD 500 – D 37-00, SAD 502 (transit) and subsequently SAD 500 – Rebate Item 498.01 – J 80-00.

**VAT implications for the CCAE:**

There are no VAT implications as the movable goods are imported and entered for storage into a licensed Customs and Excise storage warehouse located in a CCA and are therefore not entered for home consumption.

**Documentation to be available at time the goods enter the CCA:**

The Foreign Supplier will not issue a tax invoice as the Foreign Supplier is not a vendor in the Republic. The Foreign Supplier will issue a commercial invoice or similar document as envisaged in the Foreign Supplier's tax legislation.

### 3.3.3 Foreign purchasers

This category deals with the supply of movable goods from a CCAE to a foreign purchaser.

#### 3.3.3.1 Supply of movable goods consigned or delivered by a CCAE Rebate Stockist / Manufacturer to a Recipient at an address in an export country – Direct Export

**Customs treatment:**

Clearance of goods for export (SAD 500 and SAD 505 – H 67-42, H 68-46 or H 68-47, F 51-00, F 52-00 or F 52-46 and F 53-40).

In the case of goods exported to Botswana, Lesotho, Namibia or Swaziland: SAD 500, SAD 502 (transit) and SAD 500.

#### **VAT implications for the CCAE:**

The CCAE Rebate Stockist / Manufacturer is directly in control of the exportation and delivery of the movable goods to an address in an export country, either by using the CCAE Rebate Stockist / Manufacturer's own mode of transport or by engaging a cartage contractor. The supply is zero-rated under section 11(1)(a)(i), read with paragraph (a) of the definition of "exported" in section 1(1).

The CCAE Rebate Stockist / Manufacturer must obtain and retain the documentary proof required under section 11(3) read with Interpretation Note 30 in order to substantiate the zero rate.

#### **Documentation to be available at time the goods exit the CCA:**

- The CCAE Rebate Stockist / Manufacturer must issue a tax invoice and levy VAT at the zero rate.
- The CCAE Rebate Stockist / Manufacturer must issue a delivery note or other document indicating that VAT was levied at the zero rate in order to facilitate the exit of the goods from the CCA where a tax invoice is not issued at the time the goods exit the CCA.
- The export falls within the ambit of a direct export. The CCAE Rebate Stockist / Manufacturer must therefore obtain and retain the relevant documentary proof under section 11(3) read with Interpretation Note 30.

### **3.3.3.2 Supply of movable goods by a CCAE Rebate Stockist / Manufacturer to a Qualifying Purchaser who takes delivery of the movable goods in the Republic and subsequently exports the movable goods to an export country – Indirect Export – Part One of the Scheme / Regulation**

#### **Customs treatment:**

Clearance of goods for export (SAD 500 – J 83-80 and SAD 505).

In the case of exports to Botswana, Lesotho, Namibia or Swaziland: SAD 500 – H 61-00, and SAD 502 (transit).

#### **VAT implications for the CCAE:**

The CCAE Rebate Stockist / Manufacturer must levy VAT at the standard rate under section 7(1)(a) as the Qualifying Purchaser initially takes delivery of the movable goods in the Republic (for example the CCAE Rebate Stockist / Manufacturer has no control over the actual export).

#### **Documentation to be available at time the goods exit the CCA:**

- The CCAE Rebate Stockist / Manufacturer must issue a tax invoice to the Qualifying Purchaser showing that VAT was levied at the standard rate under section 7(1)(a).
- The CCAE Rebate Stockist / Manufacturer must issue a delivery note or other document indicating that VAT was levied at the standard rate (the delivery note is not accepted for VAT refund purposes) where a tax invoice is not issued at the time the goods exit the CCA.

### 3.3.3.3 Supply of movable goods by a CCAE Rebate Stockist / Manufacturer to a Qualifying Purchaser – Indirect Export – Part Two, Section A of the Scheme / Regulation

#### **Customs treatment:**

Clearance of goods for export (SAD 500 and SAD 505 – J 83-80)

Goods exported to Botswana, Lesotho, Namibia or Swaziland: SAD 500, SAD 502 (transit) and SAD 500 – H 61-00.

#### **VAT implications for the CCAE:**

The CCAE Rebate Stockist / Manufacturer may elect to supply the movable goods at the zero rate under section 11(1)(a)(ii), read with paragraph (d) of the definition of “exported” in section 1(1). In making this election, the CCAE Rebate Stockist / Manufacturer must ensure that the movable goods are delivered to a designated commercial port.

#### **Documentation to be available at time the goods enter the CCA:**

- The CCAE Rebate Stockist / Manufacturer must issue a tax invoice and may levy VAT at the zero rate.
- The CCAE Rebate Stockist / Manufacturer must issue a delivery note or other document indicating that VAT was levied at the zero rate in order to facilitate the exit of the goods from the CCA where a tax invoice is not issued at the time the goods exit the CCA.
- The export is an indirect export. The CCAE Rebate Stockist / Manufacturer must therefore obtain and retain the documentary proof as stipulated in Part 2 – Section A of the Regulation.

### 3.3.3.4 Supply of imported movable goods by a CCAE Storage Warehouse to a Foreign Purchaser where such goods will be exported by either party

#### **Customs treatment:**

Clearance of goods for export (SAD 500 and SAD 505 – H 67-42, H 68-46 or H 68-47, F 51-00, F 52-00 or F 52-46 and F 53-40).

Exports to Botswana, Lesotho, Namibia or Swaziland: SAD 500 – A 11-40, SAD 502 (transit) and SAD 500 – H 61-00.

#### **VAT implications for the CCAE when goods supplied after entry for home consumption:**

The CCAE Storage Warehouse must levy VAT on the supply of the movable goods at the zero rate under section 11(1)(u), as the imported movable goods are supplied to the Foreign Purchaser prior to the goods being entered for home consumption.

#### **Documentation to be available at time the goods enter the CCA:**

- The CCAE Storage Warehouse must issue a tax invoice and levy VAT at the zero rate.
- The CCAE Storage Warehouse must issue a delivery note or other document indicating that VAT was levied at the zero rate in order to facilitate the exit of the goods from the CCA where a tax invoice is not issued at the time the goods exit the CCA.

- The CCAE Storage Warehouse must obtain and retain the documentary proof required under section 11(3), read with Interpretation Note 31.

### 3.3.4 RSA rebate manufacturers

This type of manufacturer has been licensed by SARS Customs and Excise to manufacture goods from imported raw materials. It is possible that a CCAE will interact with a rebate manufacturer both in terms of the receipt and / or supply of movable imported goods.

#### 3.3.4.1 Supply of imported movable goods by a CCAE Rebate Stockist / Manufacturer to an RSA Rebate Stockist / Manufacturer

##### **Customs treatment:**

Transfer of rebate goods between Rebate Stockists / Manufacturers (SAD 500 – J 81-80 or DA 62). There is no customs treatment in respect of locally sourced movable goods.

##### **VAT implications for the CCAE:**

The supply of movable goods (whether imported or locally sourced) by the CCAE Rebate Stockist / Manufacturer to an RSA Rebate Stockist / Manufacturer is subject to VAT at the standard rate under section 7(1)(a). The CCAE Rebate Stockist / Manufacturer must account for output tax on the supply in the relevant VAT return.

##### **Documentation to be available at time the goods exit the CCA:**

- The CCAE Rebate Stockist / Manufacturer must issue a tax invoice showing VAT levied at the standard rate under section 7(1)(a).
- The CCAE Rebate Stockist / Manufacturer must issue a delivery note or other document indicating that VAT was levied at the standard rate in order to facilitate the exit of the goods from the CCA where a tax invoice is not issued at the time the goods exit the CCA.
- The CCAE Rebate Stockist / Manufacturer must complete a VAT 267 form in respect of the movable goods.

#### 3.3.4.2 Supply of imported movable goods by an RSA Rebate Stockist / Manufacturer to a CCAE Rebate Stockist / Manufacturer

##### **Customs treatment:**

Clearance of goods for rebate – transfer of liability (SAD 500 – J 81-80).

##### **Implications for the CCAE if VAT levied at the standard rate:**

The CCAE Rebate Stockist / Manufacturer is entitled to deduct the VAT levied at the standard rate on the acquisition of the goods to the extent that it qualifies as “input tax” as defined in section 1(1), subject to sections 16(3)(a)(i), 16(2), 17 and 20.

### **Implications for the CCAE if VAT levied at the zero rate:**

There are no VAT implications for the CCAE Rebate Stockist / Manufacturer where VAT was levied at the zero rate, unless the goods are acquired for the purposes of which a deduction of input tax would have been denied under section 17(2) or the goods are not wholly for consumption, use or supply in the course of making taxable supplies. In this instance, the goods are deemed to be supplied by the CCAE Rebate Stockist / Manufacturer under section 18(10). An output tax adjustment must be made in the same tax period in which the goods were acquired.

### **Documentation to be available at time the goods enter the CCA:**

- The RSA Rebate Stockist / Manufacturer must issue a tax invoice to the CCAE Rebate Stockist / Manufacturer at either the—
  - (i) standard rate under section 7(1)(a); or
  - (ii) zero rate under section 11(1)(m).
- The RSA Rebate Stockist / Manufacturer must issue a delivery note or other document indicating that VAT was levied at either the standard rate or the zero rate in order to facilitate the entry of the goods into the CCA where a tax invoice is not issued at the time the goods enter the CCA.
- The RSA Rebate Stockist / Manufacturer must obtain and retain the documentary proof required under section 11(3), read with Interpretation Note 31 where the zero rate is applied.

### **3.3.5 Supplying vendors**

This category deals with the supply of inputs (goods or services) from a registered vendor to a CCAE.

#### **3.3.5.1 Supply of movable goods by a Supplying Vendor to a CCAE where the CCAE's cartage contractor takes delivery of the goods outside the CCA, but in the Republic**

#### **Customs treatment:**

No Customs treatment. Movement of goods in free circulation.

#### **VAT implications for the CCAE:**

The CCAE is entitled to deduct the VAT on the goods acquired to the extent that it qualifies as "input tax" as defined in section 1(1) subject to sections 16(3)(a)(i), 16(2), 17 and 20.

#### **Documentation to be available at time the goods enter the CCA:**

- The Supplying Vendor is required to issue a tax invoice showing VAT levied at the standard rate under section 7(1)(a).
- The Supplying Vendor must issue a delivery note or other document indicating that VAT was levied at the standard rate in order to facilitate the entry of the goods into the CCA where a tax invoice is not issued at the time the goods enter the CCA.
- The CCAE must complete a VAT 267 form.

### 3.3.5.2 Supply of movable goods by a Supplying Vendor to a CCAE where the Supplying Vendor's cartage contractor physically delivers the goods to the CCAE

#### **Customs treatment:**

No Customs treatment. Movement of goods in free circulation.

#### **VAT implications for the CCAE when goods supplied after entry for home consumption:**

There are no VAT implications for the CCAE as VAT is levied at the zero rate, unless the CCAE acquires goods for the purposes of which a deduction of input tax would have been denied under section 17(2), or the goods are not wholly for consumption, use or supply in the course of making taxable supplies. In this instance, the goods are deemed to be supplied by the CCAE under section 18(10). The output tax adjustment must be made in the same tax period in which the goods were acquired.

#### **Documentation to be available at time the goods enter the CCA:**

- The Supplying Vendor must issue a tax invoice and levy VAT at the zero rate.
- The Supplying Vendor must issue a delivery note or other document indicating that VAT was levied at the zero rate in order to facilitate the entry of the goods into the CCA where a tax invoice is not issued at the time the goods enter the CCA.
- The Supplying Vendor / Supplying Vendor's cartage contractor must complete a VAT 267 form.

- The Supplying Vendor must obtain and retain the documentary proof required under section 11(3), read with Interpretation Note 31.

### 3.3.5.3 Supply of movable goods by a Supplying Vendor to a CCAE in terms of a rental agreement, charter party or charter agreement where such goods are used exclusively in a CCA

#### **Customs treatment:**

No Customs treatment. Movement of goods in free circulation.

#### **VAT implications for the CCAE when goods supplied after entry for home consumption:**

There are no VAT implications for the CCAE as VAT is levied at the zero rate, unless the CCAE acquires goods for the purposes of which a deduction of input tax would have been denied under section 17(2) or the goods are not wholly for consumption, use or supply in the course of making taxable supplies. In this instance, the goods are deemed to be supplied by the CCAE Operator under section 18(10). The output tax adjustment must be made in the same tax period in which the goods were acquired.

#### **Documentation to be available at time the goods enter the CCA:**

- The Supplying Vendor must issue a tax invoice to the CCAE and levy VAT at the zero rate.
- The Supplying Vendor must issue a delivery note or other document indicating that VAT was levied at the zero rate in order to facilitate the entry of the goods

into the CCA where a tax invoice is not issued at the time the goods enter the CCA.

- The Supplying Vendor or the CCAE must complete a VAT 267 form.
- The Supplying Vendor must obtain and retain the documentary proof required under section 11(3), read with Interpretation Note 31 where the zero rate is applied.

#### 3.3.5.4 Supply of services physically rendered in a CCA by a Supplying Vendor to a CCAE

##### **Customs treatment:**

No Customs treatment. Services are being supplied.

##### **VAT implications for the CCAE:**

There are no VAT implications for the CCAE as VAT is levied at the zero rate, unless the CCAE acquires the services for the purposes of which a deduction of input tax would have been denied under section 17(2) or the services are not wholly for consumption, use or supply in the course of making taxable supplies. In this instance, the services are deemed to be supplied by the CCAE under section 18(10). The output tax adjustment must be made in the same tax period in which the goods were acquired.

##### **Documentation to be available at time the Supplying Vendor enters the CCA:**

- The Supplying Vendor must produce a job card or an order, together with an inventory of the movable goods and equipment which enters the CCA for purposes of performing the relevant services.

- The Supplying Vendor must complete a VAT 267 form.
- The Supplying Vendor must issue a tax invoice and levy VAT at the zero rate.
- The Supplying Vendor must obtain and retain the documentary proof required under section 11(3), read with Interpretation Note 31.

#### 3.3.5.5 Return of movable goods originally supplied in terms of a rental agreement, charter agreement, etc.

##### **Customs treatment:**

No Customs treatment. Movement of goods in free circulation.

##### **VAT implications for the CCAE when goods supplied after entry for home consumption:**

There are no VAT implications.

##### **Documentation to be available at time the goods enter the CCA:**

- A copy of the relevant page of the VAT 267 form completed in respect of the entry of the goods into the CCA, together with the completed copy of the VAT 267 form when the movable goods exit the CCA.
- A delivery note, goods returned note or a document to indicate that the goods are being returned to the Supplying Vendor.

### 3.3.6 Receiving vendors

This category deals with the purchase or receipt of inputs (goods or services) by a registered vendor from a CCAE.

#### 3.3.6.1 Supply of imported movable goods by a CCAE Storage Warehouse to a Receiving Vendor in the Republic

**When imported goods have already been cleared for home consumption.**

**Customs treatment:**

Clearance of goods for home consumption bringing duty to account (SAD 500 – A 11-40).

**VAT implications for the CCAE:**

The imported goods must first be entered for home consumption before they can be sold locally. The CCAE Storage Warehouse is therefore supplying the imported movable goods to a Receiving Vendor in the Republic. The clearance of the goods for home consumption by the CCAE Storage Warehouse is subject to VAT at the standard rate under section 7(1)(b).

The CCAE Storage Warehouse is entitled to deduct the VAT paid on importation to the extent that it qualifies as “input tax” as defined in section 1(1) subject to sections 16(3)(a)(iii), 16(2)(d), and 17.

The CCAE Storage Warehouse must levy VAT at the standard rate under section 7(1)(a) on the supply.

**Documentation to be available at time the goods enter the CCA:**

- The CCAE Storage Warehouse must issue a tax invoice and levy VAT at the standard rate under section 7(1)(a).
- Where a tax invoice is not issued at the time the goods exit the CCA, the CCAE Storage Warehouse must issue a delivery note or other document indicating that VAT was levied at the standard rate in order to facilitate the exit of the goods from the CCA.
- The CCAE Storage Warehouse must complete a VAT 267 form.

**When imported goods have not been cleared for home consumption.**

**Customs treatment:**

Clearance of goods for re-warehousing in bond (SAD 500 and SAD 502 – E 43-40, or E 43-41, or E 43-44 / E 44-43)

**VAT implications for the CCAE:**

The CCAE Storage Warehouse must levy VAT on the supply of the movable goods at the zero rate under section 11(1)(u).

**Documentation to be available at time the goods exit the CCA:**

- The CCAE Storage Warehouse must issue a tax invoice to the Receiving Vendor and levy VAT at the zero rate.
- The CCAE Storage Warehouse must issue a delivery note or other document indicating that VAT was levied at the zero rate in order to facilitate the exit of the

goods from the CCA where a tax invoice is not issued at the time the goods exit the CCA.

- The CCAE Storage Warehouse must obtain and retain the documentary proof required under section 11(3), read with Interpretation Note 31.

### 3.3.6.2 Supply of movable goods by a CCAE Rebate Stockist / Manufacturer to a Receiving Vendor in the Republic

#### **Customs treatment:**

Clearance of goods for home consumption bringing duty to account (SAD 500 – A 11-40).

#### **VAT implications for the CCAE:**

The supply of goods or goods manufactured from raw materials by a CCAE Rebate Stockist / Manufacturer to a Receiving Vendor in the Republic is subject to VAT under section 7(1)(a).

#### **Documentation to be available at time the goods enter the CCA:**

- The CCAE Rebate Stockist / Manufacturer must issue a tax invoice to the Receiving Vendor and levy VAT at the standard rate under section 7(1)(a).
- The CCAE Rebate Stockist / Manufacturer must issue a delivery note or other document indicating that VAT was levied at the standard rate in order to facilitate the exit of the goods from the CCA where a tax invoice is not issued at the time the goods exit the CCA.
- The CCAE Rebate Stockist / Manufacturer must complete a VAT 267 form.

### 3.3.6.3 Deemed supply of movable goods by a CCAE where movable goods are temporarily removed from a place in the CCA to a place outside the CCA, in the Republic and those goods are not returned to the CCA within 30 days

This applies to the case where a CCAE temporarily removes movable goods from a place in a CCA to a place outside the CCA, but in the Republic (for example, the movable goods have to be repaired), and those goods are not returned to the CCA within 30 days of being removed from the CCA or within a period arranged in writing with the Controller.

#### **Customs treatment:**

Imported movable goods – voucher of correction to be processed bringing duty to account (SAD 500 – A 11-40).

In the case of locally sourced movable goods, there is no Customs treatment – movement of goods in free circulation.

#### **VAT implications for the CCAE when goods supplied after entry for home consumption:**

The CCAE / IDZ Operator must process a voucher of correction to bring duty to account where imported movable goods are moved out of the CCA.

The CCAE / IDZ Operator is entitled to deduct the VAT levied on the supply of the services rendered outside the CCA to the extent it qualifies as “input tax” as defined in section 1(1) subject to sections 16(3)(a)(i), 16(2), 17 and 20. As the imported or locally sourced movable goods are, however, not returned within the

required time period (for example 30 days from being removed or a period arranged in writing with the Controller), the CCAE / IDZ Operator is deemed under section 8(24) to have supplied such goods in the course or furtherance of carrying on an enterprise. The supply is under section 9(11) deemed to take place on the last day of the applicable period as contemplated in section 8(24) and the consideration in money is, under section 10(25), deemed to be the open market value of those goods on the last day on which the 30-day period (or the last day of the extended period which was approved by the Controller) expires.

The CCAE / IDZ Operator is entitled to a deduction under section 16(3)(n) equal to the tax fraction of the lesser of the amount contemplated in section 10(25) or the open market value of the goods on the date the goods are subsequently returned to the CCAE / IDZ Operator, or supplied by the CCAE / IDZ Operator after expiry of the time period referred to in section 8(24).

#### **Documentation to be available at time the goods exit the CCA:**

- The CCAE must complete a VAT 267 form when the imported movable goods exit the CCA to record the temporary removal from the CCA for specific purposes.
- A delivery note, an order or a document to indicate that the imported movable goods are being removed from the CCA in order to perform services in respect thereof.

#### **Documentation to be available at time the goods re-enter the CCA:**

- The Supplying Vendor must issue a tax invoice and levy VAT at the standard rate under section 7(1)(a).
- The Supplying Vendor must issue a delivery note or other document indicating that VAT was levied at the standard rate in order to facilitate the re-entry of the goods into the CCA where a tax invoice is not issued at the time the goods re-enter the CCA.
- A VAT 267 form when the movable goods re-enter the CCA to record the permanent return thereof to the CCA.

#### **3.3.6.4 Permanent removal of movable good, owned by a Vendor, from a CCAE Storage Warehouse to the Vendor's retail outlet in the Republic, but outside the CCA**

##### **Customs treatment:**

Clearance of goods for home consumption bringing duty to account (SAD 500 – A 11-40).

##### **VAT implications for the CCAE:**

The goods must be entered for home consumption as the imported movable goods are being removed from a CCAE Storage Warehouse to a place in the Republic but outside a CCA. The entry of the goods for home consumption by the vendor is subject to VAT at the standard rate under section 7(1)(b).

The vendor is entitled to a deduction of the VAT paid on the imported movable goods to the extent that it qualifies as "input tax" as defined in section 1(1), subject to sections 16(3)(a)(iii), 16(2)(d), 17 and 20.

### **Documentation to be available at time the goods exit the CCA:**

- The vendor must complete a VAT 267 form when the imported movable goods exit the CCA.
- A delivery note, an order or a document to indicate that the imported movable goods are being removed from the CCA to the vendor's retail outlet outside the CCA in order to facilitate the exit of the goods from the CCA.

### **3.3.7 Other CCAE entities**

This category deals with the interactions of a CCAE with another CCAE.

#### **3.3.7.1 Supply of movable goods by a Supplying CCAE Storage Warehouse to a Receiving CCAE Storage warehouse in the same or a different CCA**

##### **Customs treatment:**

Clearance of goods in bond for removal for re-warehousing (SAD 500 – E 41-41 / E 43-40).

##### **VAT implications for the Supplying CCAE:**

The Supplying CCAE Storage Warehouse must levy VAT on the supply of the imported movable goods at the zero rate under section 11(1)(u), as the goods are being supplied to the Receiving CCAE Storage Warehouse before such goods are entered for home consumption.

##### **VAT implications for the Receiving CCAE:**

There are no VAT implications, as the supply was subject to the zero rate.

### **Documentation to be available at time the goods are supplied (or exit the CCA):**

- The Supplying CCAE Storage Warehouse is required to issue a tax invoice and to levy VAT at the zero rate.
- The Supplying CCAE Storage Warehouse must issue a delivery note or other document indicating that VAT was levied at the zero rate in order to facilitate the exit of the goods from the CCA where a tax invoice is not issued at the time the goods move within or exit the CCA.
- The Supplying CCAE Storage Warehouse must complete a VAT 267 form when the imported movable goods are supplied (in the case of the same CCA) or exit the CCA in the case of a different CCA.
- The Supplying CCAE Storage Warehouse must obtain and retain the documentary proof required under section 11(3), read with Interpretation Note 31.

#### **3.3.7.2 Supply of movable goods by a Supplying CCAE Rebate Manufacturer to a Receiving CCAE Rebate Manufacturer in the same or a different CCA**

##### **Customs treatment:**

Transfer of rebate goods between Rebate Stockists / Manufacturers (SAD 500 – J 81-80).

##### **VAT implications for the Supplying CCAE:**

On supplying the movable goods, the Supplying CCAE Rebate Stockist / Manufacturer must levy VAT at either—

- (a) the standard rate under section 7(1)(a), where the Receiving CCAE Rebate Stockist / Manufacturer or the Receiving CCAE Rebate Stockist / Manufacturer's cartage contractor collects the movable goods from the Supplying CCAE Rebate Stockist / Manufacturer; or
- (b) the zero rate under section 11(1)(m), where the Supplying CCAE Rebate Stockist / Manufacturer or a cartage contractor appointed by the Supplying CCAE Rebate Stockist / Manufacturer physically delivers the movable goods to the Receiving CCAE Rebate Stockist / Manufacturer in a CCA.

The Supplying CCAE Rebate Stockist / Manufacturer must obtain and retain the documentary proof required under section 11(3), read with Interpretation Note 31 where the zero rate is applied.

#### **VAT implications for the Receiving CCAE:**

If VAT is levied at the standard rate the Receiving CCAE Rebate Stockist / Manufacturer is entitled to deduct the VAT levied at the standard rate on the acquisition of the goods to the extent it qualifies as "input tax" as defined in section 1(1), subject to sections 16(3)(a)(i), 16(2), 17 and 20.

If VAT was levied at the zero rate there are no VAT implications for the Receiving CCAE Rebate Stockist / Manufacturer where VAT was levied at the zero rate, unless the goods are acquired for the purposes of which a deduction of input tax would have been denied under section 17(2) or the goods are not wholly for consumption, use or supply in the course of making

taxable supplies. In this instance, the goods are deemed to be supplied by the Receiving CCAE Rebate Stockist / Manufacturer under section 18(10). An output tax adjustment must be made in the same tax period in which the goods were acquired.

#### **Documentation to be available at time the goods are supplied (or exit the CCA):**

- The Supplying CCAE Rebate Stockist / Manufacturer must issue a tax invoice to the Receiving CCAE Rebate Stockist / Manufacturer at either the—
  - (i) standard rate under section 7(1)(a); or
  - (ii) zero rate under section 11(1)(m).
- The Supplying CCAE Rebate Stockist / Manufacturer must issue a delivery note or other document indicating that VAT was levied at either the standard rate or the zero rate in order to facilitate the exit of the goods from the CCA where a tax invoice has not been issued at the time the goods move within or exit the CCA.
- The Supplying CCAE Rebate Stockist / Manufacturer must complete a VAT 267 form when the imported movable goods are supplied (in the case of the same CCA) or exit the CCA in the case of a different CCA.
- The Supplying CCAE Rebate Stockist / Manufacturer must obtain and retain the documentary proof required under section 11(3), read with Interpretation Note 31 where the zero rate is applied.

### 3.3.7.3 Supply of movable goods by a CCAE Storage Warehouse to a CCAE Rebate Manufacturer in the same or a different CCA

#### **Customs treatment:**

Clearance ex-warehouse under rebate of duty. Entry for home consumption (SAD 500 – Rebate Item 498 – J 80-40).

#### **VAT implications for the CCAE storage warehouse:**

Before entry for home consumption, the supply will be zero-rated under section 11(1)(u) where the CCAE Storage warehouse supplies the goods to a CCAE Rebate Stockist / Manufacturer prior to the goods being entered for home consumption.

After entry for home consumption the entry of the goods for home consumption by the CCAE Storage Warehouse is exempt from VAT under section 13(3), read with Item No. 498.01/00.00/01.00 in paragraph 8 of Schedule 1 where the CCAE Storage Warehouse is supplying the imported movable goods to a CCAE Rebate Stockist / Manufacturer after the goods have been entered for home consumption.

On supplying the imported movable goods, the CCAE Storage Warehouse must levy and account for output tax in the relevant VAT return at either the—

- (a) standard rate under section 7(1)(a), where the CCAE Rebate Stockist / Manufacturer or the CCAE Rebate Stockist / Manufacturer's cartage contractor collects the goods from the CCAE Storage Warehouse; or

- (b) zero rate under section 11(1)(m), where the CCAE Storage Warehouse or a cartage contractor appointed by the CCAE Storage Warehouse physically delivers the goods.

#### **VAT implications for the CCAE Rebate Stockist / Manufacturer:**

Where VAT was levied at the zero rate there are no VAT implications for the CCAE Rebate Stockist / Manufacturer where VAT, unless the goods are acquired for the purposes of which a deduction of input tax would have been denied under section 17(2) or the goods are not wholly for consumption, use or supply in the course of making taxable supplies. In this instance, the goods are deemed to be supplied by the CCAE Rebate Stockist / Manufacturer under section 18(10). An output tax adjustment must be made in the same tax period in which the goods were acquired.

Where VAT was levied at the standard rate, the CCAE Rebate Stockist / Manufacturer is entitled to deduct the VAT levied on the acquisition of the goods to the extent that it qualifies as "input tax" as defined in section 1(1), subject to sections 16(3)(a)(i), 16(2), 17 and 20.

### **Documentation to be available at time the goods are supplied (or exit the CCA):**

- The CCAE Storage Warehouse must issue a tax invoice to the CCAE Rebate Stockist / Manufacturer as follows—
  - (i) at the zero rate under section 11(1)(u) where the imported movable goods are supplied before being entered for home consumption;
  - (ii) where the imported movable goods are entered for home consumption—
    - (a) at the standard rate under section 7(1)(a); or
    - (b) at the zero rate under section 11(1)(m).
- The CCAE Storage Warehouse must issue a delivery note or other document indicating that VAT was levied at either the standard rate or the zero rate in order to facilitate the exit of the goods from the CCA where a tax invoice has not been issued at the time the goods move within or exit the CCA and enter another CCA.
- The CCAE Storage Warehouse must complete a VAT 267 form when the imported movable goods are supplied (in the case of the same CCA) or exit the CCA in the case of a different CCA.
- The CCAE Storage Warehouse must obtain and retain the documentary proof required under section 11(3), read with Interpretation Note 31 where the zero rate is applied.

### **3.3.7.4 Supply of movable goods by a Supplying CCAE in terms of a rental agreement, charter party or charter agreement to a Receiving CCAE for exclusive use in the same or a different CCA**

#### **Customs treatment:**

No Customs treatment. Movement of goods in free circulation.

#### **VAT implications for the Supplying CCAE:**

The Supplying CCAE must levy VAT at the zero rate on the supply of the movable goods under section 11(1)(c).

In applying the zero rate, the Supplying CCAE must obtain and retain the relevant documentary proof as determined under section 11(3), read with Interpretation Note 31.

It is important to note that section 11(1)(c) excludes the supply of a “motor car” as defined in section 1(1). The supply of a “motor car” to a CCAE / IDZ Operator is therefore always subject to VAT at the standard rate under section 7(1)(a).

#### **VAT implications for the Receiving CCAE:**

Goods acquired for the purposes of which a deduction of input tax would have been denied under section 17(2), or goods not wholly for consumption, use or supply in the course of making taxable supplies are deemed to be supplied by the Receiving CCAE under section 18(10). The Receiving CCAE must make an output tax adjustment in the same tax period in which such goods were acquired.

### **Documentation to be available at time the goods are supplied (or exit the CCA):**

- The Supplying CCAE must issue a tax invoice at the zero rate.
- The Supplying CCAE must issue a delivery note or other document indicating that VAT was levied at the zero rate in order to facilitate the movement of the goods within the same CCA or on exiting one CCA to enter another CCA where a tax invoice has not been issued at the time the goods move within or exit the CCA.
- The Supplying CCAE must complete a VAT 267 form when the movable goods are supplied within the same CCA, or for when the goods exit and enter another CCA.
- The Supplying CCAE must obtain and retain the documentary proof required under section 11(3), read with Interpretation Note 31.

### **3.3.7.5 Supply of services, physically rendered in a CCA, by a Supplying CCAE to a Receiving CCAE in the same or a different CCA**

#### **Customs treatment:**

No Customs treatment. Services are being supplied.

#### **VAT implications for the Supplying CCAE:**

The supply is subject to VAT at the zero rate under section 11(2)(k) as the Supplying CCAE physically renders the services in a CCA.

#### **VAT implications for the Receiving CCAE:**

There are no VAT implications for the Receiving CCAE where VAT was levied at the zero rate, unless the services are acquired for the purposes of which a deduction of input tax would have been denied under section 17(2), or the services are not wholly for the consumption, use or supply in the course of making taxable supplies. In this instance, the services are deemed to be supplied by the Receiving CCAE under section 18(10). An output tax adjustment must be made in the same tax period in which the goods were acquired.

#### **Documentation to be available for VAT purposes at the time the services are provided (within the same or a different CCA):**

- The Supplying CCAE is required to issue a tax invoice to the Receiving CCAE and levy VAT at the zero rate under section 11(2)(k).
- The Supplying CCAE must produce a job card or an order, together with an inventory of the movable goods and equipment which are required in order to perform the services where the services are to be performed in another CCA.
- The Supplying CCAE must complete a VAT 267 form.
- The Supplying CCAE must obtain and retain the documentary proof required under section 11(3), read with Interpretation Note 31.

### 3.3.7.6 Supply of fixed property situated in a CCA

#### **Customs treatment:**

No Customs treatment.

#### **VAT implications for the CCAE when goods supplied after entry for home consumption:**

There are no VAT implications for the IDZ Operator / CCAE where VAT was levied at the zero rate, unless the fixed property is acquired for the purposes of which a deduction of input tax would have been denied under section 17(2), or the fixed property is not wholly for consumption, use or supply in the course of making taxable supplies. In this instance, the fixed property is deemed to be supplied by the IDZ Operator / CCAE under section 18(10). An output tax adjustment must be made in the same tax period in which the goods were acquired.

## 3.4 Maintenance of CCA registration status

**As noted at the commencement of this section, the registration of a CCA is normally for an indefinite period and need not be renewed annually.**

## 3.5 Maintenance of CCAE registration / licensing status

**As noted at the commencement of this section, the registration of a CCA is normally for an indefinite period and need not be renewed annually.**

However, it is likely that a registered CCAE will also be licensed by SARS normally as either a CCAE Storage Warehouse requiring the completion of the DA 185 4B9 annexure and / or as a CCAE Manufacturing Warehouse requiring the completion of the DA 185 4B10. Both of these warehouses are licensed by SARS for a calendar year running from 1 January to 31 December and need to be renewed annually. The process of renewal will be specified by SARS but will generally require the submission of the same documentation as was originally provided but updated to the current financial period.



# 4

## PREFERRED TRADER PROGRAMME

### 4.1 Introduction

**The SARS Preferred Trader Programme began in 2011 after extensive benchmarking and consultations with trade entities. It was set up under the World Trade Organization's internationally recognised Authorised Economic Operator (AEO) programme.**

The main objective of the Preferred Trader Programme is to move away from the traditional Customs gate-keeper approach, to a more risk-based approach. Compliant traders will receive benefits as stipulated in legislation for accredited clients. This will reduce the frustrations and the costs that can be incurred by traders who are operating in the global market.

In broad terms, the Preferred Trader Programme is a relationship between a Customs client and SARS Customs and Excise in order to:

- Achieve benefits for both parties
- Stamp out misconduct and fraudulent activities
- Obtain and maintain a high level of compliance
- Promote legitimate trade facilitation.

A specialised Preferred Trader team has been set up by SARS to handle applications and audits, while an Accreditation Review Customs Committee at SARS Head Office makes a final decision on all accreditation submissions. All importers and exporters may apply for Preferred Trader status if they meet certain compliance criteria.

Accreditation is an advanced programme which forms a partnership between SARS and those clients who have an appropriate record of compliance and financial stability, and who maintain a high quality of internal operational processes and computer systems. In return, SARS Customs offers certain benefits to these clients.

## 4.2 What are the scheme's benefits?

**SARS promises accredited clients specific benefits attached to level two status:**

- Appointing a Customs Relationship Manager tasked with facilitating the relationship between the client and Customs
- Reducing the amount of security required for compliance with a Customs procedure
- Fewer routine documentary and physical inspections
- Prioritising requests for tariff and valuation determinations
- Prioritising access to non-intrusive inspection techniques when goods are stopped or detained for inspection.
- Prioritising and expedited inspections

- Permitting, on application, the inspection of goods at the client's premises, irrespective of the type of goods
- Priority processing of declarations submitted electronically in terms of rule 101A.

## 4.3 Which client types can apply to be an accredited client?

**Only a registered importer and/or exporter, including any importer and/or exporter deemed to be a level one accredited client in terms of Rule 64E.10(a), may apply to participate in level two of the Accreditation programme.**

Further client types will be included at a later stage.

## 4.4 What are the requirements for accreditation?

- Clients must ensure that the applicants, the person having the management of the applicant and the employee responsible for Customs accreditation matters have not:
  - ✓ Been convicted of an offence involving fraud and dishonesty;
  - ✓ Been convicted of any offence in terms of the Act;
  - ✓ Incurred an administrative penalty over a period of three years immediately preceding the application in respect of any offence in terms of the Customs and Excise legislation, which are deemed serious offences involving dishonesty, intent or bribery.

- Clients must ensure that they have not been convicted of any offence in terms of:
  - ✓ Section 59 of the Value Added Tax Act No. 89 of 1991; or
  - ✓ Section 104 of the Income Tax Act No. 58 of 1962.
- An appropriate accounting and logistical system is a requirement and the applicant must:
  - ✓ Communicate electronically by registering as a user in accordance with the provisions of Section 101A. This provision does not exclude the use of a Customs broker / Clearing forwarding agent;
  - ✓ Maintain a full audit trail of all Customs activities;
  - ✓ Have a record of verifiable procedures for backup, recovery, archiving and retrieval of business records;
  - ✓ Have an effective record-keeping and operational system consistent with generally accepted accounting principles.
- Applicants must demonstrate sufficient knowledge of Customs. The applicant must designate an employee who will be responsible for Customs matters and the person must complete an assessment which will be administered by the SARS Institute of Learning.
- Applicants must produce evidence of sufficient financial resources:
  - ✓ Audited financial statements of the business for the past three financial years;

- ✓ Where no such statements are available, sufficient evidence to prove the viability of the business, which may include proof of available financial resources of whatever nature.

## 4.5 What is the accreditation procedure for importers and exporters?

**Applications are handed in at the relevant SARS Customs Branch Offices where there is a specific process to follow; thereafter they are sent to Head Office for the final decision. The offices are:**

- Cape Town Office – P166, Sanlam Building, 15th Floor, 22 Hans Strydom, Cape Town
- Durban – Albany House, East Wing, 3rd Floor, 61/62 Margaret Mncadi Avenue, Durban
- Gauteng South – SARS House, First Floor, 49 New quay Road, New Redruth, Alberton
- Gauteng North – OR Tambo International Airport, New Agents Building, Johannesburg
- Port Elizabeth – Sanlam Building, 3 Winston Ntshona Street, Port Elizabeth

**The application process involves the following:**

- Evaluating the information supplied in the application form;
- Conducting an inspection (the client will be informed of the place of inspection and will be consulted about a date); and

- Informing the applicant of the outcome and signing the agreement if approved.

## 4.6 What forms must be completed?

Application for the programme must be done on a SARS DA 186.<sup>16</sup> For queries relating to Preferred Trader, kindly contact the SARS Contact Centre on 0800 00 7277.



## ENDNOTES

- 1 Industrial Development Zone (IDZ) Programme Guidelines, as at September 2008.
- 2 DTI. 2016. Special Economic Zones Implementation. Briefing to Portfolio Committee on Trade and Industry. April 2016.
- 3 See ss 25, 27, 28 and 30 of the SEZ Act.
- 4 The reference to a SEZ entity board is simply a reference to the board of the SEZ entity which needs to be established by the licensee.
- 5 From Section 23 (3) of the SEZ Act (2014).
- 6 From Section 35 of the SEZ Act (2014).
- 7 From Section 9 of the SEZ Regulations (2016).
- 8 The SIC codes are the Standard Industrial Codes issued by Statistics South Africa
- 9 The DA 185 form is available at <https://www.sars.gov.za/AllDocs/LegalDoclib/SecLegis/LAPD-LSec-CE-RA-2012-19%20-%20Notice%20R.752%20GG%2035668%20Form%20DA185%2014%20September%202012.pdf>
- 10 The form completion guide is available at <https://www.sars.gov.za/AllDocs/OpsDocs/Manuals/SC-CF-23%20-%20Completion%20of%20DA%20185%20and%20DA%20186%20-%20External%20Manual.pdf>

- 11 Form available at <https://www.sars.gov.za/AllDocs/OpsDocs/SARSForms/SAD%20500%20Customs%20Declaration%20Form%20-%20External%20Form.pdf>
- 12 Form available for download from <https://www.sars.gov.za/AllDocs/OpsDocs/SARSForms/SAD%20502%20-%20Customs%20Declaration%20Transit%20Control%20-%20External%20Form.pdf>
- 13 See customs procedure code combinations at <https://www.sars.gov.za/AllDocs/Documents/customsandexcise/CPC%20Chart%20October%202019%20n.pdf>
- 14 See <https://www.sars.gov.za/AllDocs/LegalDoclib/SCEA1964/LAPD-LPrim-Tariff-2012-17%20-%20Schedule%20No%204.pdf>
- 15 See customs procedure code combinations at <https://www.sars.gov.za/AllDocs/Documents/customsandexcise/CPC%20Chart%20October%202019%20n.pdf>
- 16 The form can be downloaded from <https://www.sars.gov.za/AllDocs/OpsDocs/SARSForms/DA%20186%20-%20Application%20for%20Customs%20and%20Excise%20Accredited%20Client%20Status%20-%20External%20Form.pdf>



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