

CUSTOMS

EXTERNAL STANDARD

VALUATION OF EXPORTS

TABLE OF CONTENTS

| | | |
|----------|---------------------------------|----------|
| 1 | SUMMARY OF MAIN POINTS | 3 |
| 2 | STANDARD | 3 |
| 2.1 | Determining the Export Value | 3 |
| 2.2 | Customs Interaction | 4 |
| 2.3 | Record keeping | 5 |
| 2.4 | Penalties | 5 |
| 2.5 | Appeals against decisions | 5 |
| 3 | REFERENCES | 5 |
| 3.1 | Legislation | 5 |
| 3.2 | Cross References | 5 |
| 3.3 | Quality Records | 6 |
| 4 | DEFINITIONS AND ACRONYMS | 6 |
| 5 | DOCUMENT MANAGEMENT | 6 |

1 SUMMARY OF MAIN POINTS

- a) The export value declared for Customs purposes is the price of the goods free on board (FOB) at the place of dispatch from South Africa.
- b) If the invoice is not on an FOB terms of sale, the appropriate costs and charges must be added or subtracted to calculate an FOB price in Rand.
- c) Where the value of goods exported is in a foreign currency the amount must be converted to South African Rand using the selling rate published by the Commissioner on the date prior to the submission of the export declaration. Refer to Rule 120.09 A(1).

2 STANDARD

2.1 Determining the Export Value

- a) According to Section 72 the value that must be declared for any goods exported from South Africa is the price of those goods free on board (FOB) at the place of dispatch from South Africa.
- b) The client verifies the point of dispatch.
- c) The client determines whether the term of sale on which the goods were sold is free on board (FOB). If the invoice is not on an FOB terms of sale all the all profits, costs, charges and expenses must be calculated and either added or subtracted to calculate an FOB price in Rand, rounded off as provided for in Section 72(c).
- d) When the export value is expressed in a foreign currency, it must for the purpose of calculating the Customs value thereof be converted to South African Rand in terms of Rule 120.09 A(1) of the Act. The rule provides that:
- e) The client determines if the invoice is expressed in a foreign currency.
- f) If "yes" the client must confirm if payment was received in foreign currency by checking the proof of payment documentation.
- g) The client converts the foreign amount into the Rand amount by:
 - i) Determining which foreign currency must be converted, for example United States Dollars.
 - ii) Confirming the rate of exchange applicable published on the South African Revenue Service's website <http://www.sars.gov.za>:
 - A) The date for the conversion is the day before the export declaration was submitted to Customs. For example if the goods were entered for export on 2016-01-22 the exchange rate published on the SARS website on 2016-01-21 must be used. The Movement Reference Number (MRN) date must be used to establish the date of submission.
 - B) If no rate is determined for the required date, the latest rate determined before that date must be used.
- h) The client rounds of the value to the nearest Rand.
 - i) If the value of any imported goods of a single denomination is in excess of one (1) Rand, the Customs value must be calculated to the nearest Rand, an amount of fifty (50) cents being regarded as less than one (1) half of one (1) Rand; and/or
 - ii) If the Customs value is less than one (1) Rand, the value must be calculated as one (1) Rand. Refer to Section 72(2)(c).
- i) The client ensures that all the provisions as stipulated above, are adhered to before submitting the Customs declaration to Customs.

2.2 Customs Interaction

- a) After receiving the Customs declaration from the client, the Customs declaration may be stopped for supporting documentation. Records must be kept of all the transaction documentation. Refer to paragraph 2.3 of this document.
- b) The mechanism through which notifications will be communicated depends on the clients' method of declaration submission:
 - i) EDI enabled clients will receive electronic notifications; and
 - ii) Clients submitting manual declarations will receive notification at the office where the declaration was submitted.
- c) The supporting documents that may be required is the following, but is not limited to:
 - i) Invoices (which are describe in SC-CF-30);
 - ii) Calculations done to determine the value;
 - iii) A breakdown of the cost, charges and expenses used in the calculation the value as close as possible to the FOB point of sale;
 - iv) Transport documents;
 - v) Agreements; and
 - vi) Any other documentation that will confirm the calculations of the client's declared export value.
- d) The Customs Officer will review the case and based on the information provided, the Customs declaration may be:
 - i) Stopped for further supporting documentation;
 - ii) Stopped for a physical inspection;
 - iii) Rejected;
 - iv) Release; or
 - v) An amendment requested.

2.3 Record keeping

- a) The **exporter** must keep for record purposes for a period of five (5) years:
 - i) Books, accounts and documents in respect of all transactions relating to the Rules for the purpose of any acquittal procedure; and
 - ii) Any data related to the documents created by means of a computer.
- b) The five (5) year period is calculated from the end of the calendar year in which the document was created, lodged or required. (Sections 101 and 101A).
- c) Every client must produce the books, accounts and documents on demand.

2.4 Penalties

- a) Failure to adhere to the provisions of the Act, as set out in this document, is considered an offence.
- b) Offences may render the recipient or importer liable to, as provided for in the Act:
 - i) Monetary penalties;
 - ii) Criminal prosecution; and/or
 - iii) Suspension, cancellation of registration, license or accreditation.

2.5 Appeals against decisions

- a) In cases where clients are not satisfied with any decision taken in terms of the Customs and Excise Act they have a right of appeal to the relevant appeal committee. The directive in this regard, as well as the process to be followed is contained in document SC-CC-24.

- b) Should clients be unhappy with a decision of any appeal committee their recourse will be to lodge an application for ADR (Alternative Dispute Resolution) with the relevant appeal committee. The committee will add its comments thereto and forward the application to the ADR Unit for attention. The directive in this regard, as well as the process to be followed is contained in document SC-CC-26.
- c) If clients wish to appeal any decision in terms of VAT penalties, they are directed to the provisions of Section 215 to 220 of the Tax Administration Act No. 28 of 2011 for the percentage based penalty and Section 224 of the Tax Administration Act No. 28 of 2011 for the understatement penalty. In this regard, please consult the SARS website or nearest SARS Branch Office.

3 REFERENCES

3.1 Legislation

| TYPE OF REFERENCE | REFERENCE |
|---|---|
| Legislation and Rules administered by SARS: | Customs and Excise Act No. 91 of 1964: Sections 72 and 73 Customs and Excise Rules: Rule 120.09A. Tax Administration Act No. 28 of 2011: Sections 215 to 220 and 224 |
| Other Legislation: | Promotion of Administrative Justice Act No. 3 of 2000: Section 3 and 5 Promotion Of Access To Information Act No. 2 of 2000: All |
| International Instruments: | None |

3.2 Cross References

| DOCUMENT # | DOCUMENT TITLE |
|-------------|--|
| SC-CC-24 | Internal Administrative Appeal - External Policy |
| SC-CC-26 | Alternative Dispute Resolution - External Policy |
| SC-CF-30 | Invoice Requirements for Customs – External Policy |
| SC-EX-01-03 | Exports – External Directive |

3.3 Quality Records

| NUMBER | TITLE |
|---------|---|
| SAD 500 | Customs Declaration form (Export) |
| SAD 501 | Customs Declaration form (Continuation Sheet) |

4 DEFINITIONS AND ACRONYMS

| | |
|----------------------|--|
| Dispatch from | The place in South Africa where the goods in question are placed on board a ship or on any vehicle which conveys them from or across the border of South Africa. |
| EDI | Electronic Data Interchange |
| FOB | Free on Board - the supplier undertakes to deliver the goods on board a ship or other vehicle at a named port |
| MRN | Movement Reference Number |

5 DOCUMENT MANAGEMENT

| | |
|--|--|
| Directive Owner | Executive: Process Solutions Customs & Support Services |
| Detail of change from previous revision | Amending the rate of exchange date (Rule 120.09A) and the reference to importer to read exporter in paragraph 2.3 |
| Template number and revision | ECS-TM-03 - Rev 7 |