EXCISE

EXTERNAL STANDARD

THE STORAGE, USE AND DISPOSAL OF AVIATION KEROSENE
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1 SUMMARY OF MAIN POINTS

a) The standard applies to entities that acquire, sell, dispose of in any manner or is in possession of or have under their control any aviation kerosene.

b) The standard does not cover the Registration requirements dealt with in SE-FS-02.

c) According to additional note 1(d) to Chapter 27 of the Harmonized Nomenclature Tariff "Aviation Kerosene", is any product intended for use, advertised for use, put up for use or otherwise marketed or disposed of for use as fuel in aircraft fitted with turbojets, turbo-propellers and other gas turbines. These products do not attract any duty/levies but are subject to VAT when going into domestic consumption.

d) Aviation Kerosene is marked with an invisible marker called Authentix A1 so that should it be mixed with "Distillate Fuel" (diesel) its presence can be detected if the diesel is tested.

e) Aviation Kerosene is theoretically the same product as unmarked illuminating kerosene which means that it can also be used as a diesel extender.

f) A marker could be added, however, in terms of the International Air Transport Association (IATA) regulations, for safety reasons, NO ADDITIONAL ADDITIVE WHICH HAS NOT BEEN APPROVED OR MARKER may be added to "Aviation Kerosene". Therefore, the use thereof must be controlled to ensure correct handling.

g) Should the product be used in aircraft it does not attract any duty / levies, but is subject to VAT when used in domestic flights. The Aviation Kerosene used in international flights is zero rated for VAT.

h) All the airports in South Africa have a dedicated Aviation Kerosene supplier or operator who supplies Aviation Kerosene to the carriers and in terms of the Act these suppliers must be registered with the relevant local Controller/Branch manager.

i) In terms of IATA, Aviation Kerosene has a specific shelf life and could be returned to the supplier in three instances; i.e.

   i) When the product is off specification;
   ii) When aircraft are serviced and the fuel is not returned to the aircraft; and
   iii) Where the product becomes contaminated.

j) Should Aviation Kerosene be used for other purposes (e.g. diesel extender) than the propulsion of aircraft; Excise duty, Fuel levy, Road Accident Fund (RAF) levy and VAT becomes payable.

These duties / levies may be set-off (excluding the VAT) as returned product by the refinery to which it is returned. In this regard a credit note will be issued by the manufacturing warehouse (VM).

1.1 Keeping of records

a) The licensee or registrant must keep records of:

   i) Such invoice/flight receipt/stock requisition or delivery note issued in respect of any aviation kerosene acquired (received) from any such licensee or other registered supplier; and
   ii) Such invoice / flight receipt/stock requisition or delivery note for aviation kerosene supplied to any registered supplier for fuelling aircraft.
b) A licensee may keep electronic records provided that they can be readily converted into hard (paper) copies and made available to SARS when required / requested.

c) For purposes of this Act, the retention period for all excise related documents (prescribed Customs and Excise documents as well as relevant trader’s commercial and financial records) is five (5) years, subject to the provisions of Rule 60.08(2)(a)(i).

1.2 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 client liable to, as provided for in the Act:

i) Monetary penalties;
ii) Criminal prosecution; and/or
iii) Suspension/cancelation of license.

1.3 Appeal 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 policy 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 policy in this regard, as well as the process to be followed is contained in document SC-CC-26.

c) Should clients wish to appeal any decisions in terms of VAT penalties, they are directed to the provisions of Sections 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.

2 STANDARD

2.1 Aviation Kerosene

a) Aviation kerosene is identical to illuminating kerosene as regards technical specification; however, there are more strict controls in the handling of aviation kerosene. The reason that there is a need to audit aviation kerosene is to ensure its proper use, and obviate the potential for tax evasion.

b) Aviation kerosene can be decanted from the aircraft should the need arise for the following reasons:

i) Should the fuel become contaminated for any reason; and / or
ii) Should repairs be required to the aircraft that necessitates the removal of the fuel.

c) The fuel that is decanted from the aircraft is usually stored in drums or dedicated tanks and returned to an aircraft or could be sold / disposed of.

d) The decanted fuel (aviation kerosene) may be sold to persons who in turn resell the product as either unmarked illuminating kerosene or as a cleaning solvent. In this regard the product becomes excisable. However, the said products could be mixed with diesel which becomes illicit goods.

e) Section 37A(9)(e)(i) determines that any goods other than marked goods for which provision is made free of duty in Schedule 1 must NOT be used for any other purpose than that for which they are removed from a Customs and Excise warehouse, except with the prior permission of the Commissioner (via the nearest Controller/Branch Manager) and on payment of the relevant duty/levies.
2.1.1 Receipt of aviation kerosene into fuel storage facility

a) On receipt of aviation kerosene the tanks need to be dipped by the fuel storage operator prior to the actual receiving thereof.

b) Once the aviation kerosene has been received into the tanks at the fuel storage facility an after dip has to be taken and the quantity of product calculated.

c) The driver of the vehicle will present a delivery note to the fuel storage operator for signature of which a copy will be kept by such operator.

d) An invoice will be generated at a later stage for the product received.

2.1.2 Supply of aviation kerosene

a) Any such warehouse licensee or registered supplier shall -

i) Complete and issue an invoice / flight receipt / stock requisition or delivery note for each quantity supplied, which shall include at least -
   A) a statement that the aviation kerosene is to be used solely as fuel in aircraft;
   B) the name and address of the licensee or the name and address of the registered supplier who supplies the aviation kerosene;
   C) if applicable the registered name and address of the supplier who acquired it;
   D) the delivery address if it is not the same as the registered address;
   E) when supplied for fuelling aircraft the registration number of the aircraft;

ii) Obtain a signed receipt for any such supply from the officer responsible;

b) Any application to dispose of aviation kerosene for any other purpose may be made through the nearest Controller / Branch Manager and such goods shall be subject to such Customs and Excise control as the Controller / Branch Manager may require.

2.1.3 Maintenance on aircraft

a) Maintenance companies repair and service aircraft and are normally situated on the airport grounds. With repair and service the aviation kerosene has to be decanted from the aircraft. This means that -

i) To dispose of such aviation kerosene (taken from the aircraft) for any other purpose, the maintenance companies or operators of the decanted product must apply through the nearest Controller / Branch Manager to do so, as mentioned in Rule 37A.13(d).

ii) After the aviation kerosene is decanted the fuel may be sold as boiler fuel to a company, such as Fuel Firing Services (FFS), to facilitate disposal. They use the product to manufacture boiler fuel. This procedure should be done under Excise supervision to ensure that the product is rendered unsuitable for use as a diesel extender and a certificate should be obtained from the recipient of the fuel confirming that the product was rebranded to be used as boiler fuel.

iii) The maintenance company or operators of the decanted product must keep a record of all fuel removed from aircraft and be able to account for all aviation kerosene so removed.

iv) Should the company not be able to account for aviation kerosene that was removed from aircraft the company would be liable for the Excise Duty, Fuel Levy, Road Accident Fund and VAT.

3 RELATED INFORMATION

3.1 Legislation

<table>
<thead>
<tr>
<th>TYPE OF REFERENCE</th>
<th>REFERENCE</th>
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<tbody>
<tr>
<td>Legislation and Rules administered by SARS:</td>
<td>Customs and Excise Act No. 91 of 1964: Sections 27(4), (9) and (10), 37A and 38(1)</td>
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<tr>
<td>Customs and Excise Tariff:</td>
<td>Schedule 1 Parts 1, 2A, 5A and 5B</td>
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### TYPE OF REFERENCE

<table>
<thead>
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<tr>
<td>Other Legislation:</td>
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<tr>
<td>Promotion of Administrative Justice Act No. 3 of 2000: Section 3</td>
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<tr>
<td>IATA Regulations</td>
</tr>
<tr>
<td>International Instruments:</td>
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<td>None</td>
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### 3.2 Cross References

<table>
<thead>
<tr>
<th>DOCUMENT #</th>
<th>DOCUMENT TITLE</th>
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<tbody>
<tr>
<td>SE-FL-08</td>
<td>Bunkering Of Foreign Going Ships – External Standard</td>
</tr>
<tr>
<td>SE-FS-02</td>
<td>Licensing – External Standard</td>
</tr>
<tr>
<td>SE-FS-21</td>
<td>Registration – External Standard</td>
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</table>

### 3.3 Quality Records

N/A

### 4 DEFINITIONS AND ACRONYMS

<table>
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<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Clearance declaration</td>
<td>Applicable SAD form (e.g. SAD 500, 501, 502, 503, 504, 505, 506, etc.) or CD 1 (Customs Declaration)</td>
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<tr>
<td>Commissioner</td>
<td>Commissioner for SARS</td>
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<tr>
<td>FFS</td>
<td>Fuel Firing Services</td>
</tr>
<tr>
<td>IK</td>
<td>Illuminating kerosene</td>
</tr>
<tr>
<td>IATA</td>
<td>International Air Transport Association</td>
</tr>
<tr>
<td>Marked illuminating kerosene</td>
<td>Illuminating kerosene to which the marker Authentix A1 which is added in a proportion equal to or exceeding 20 milligrams of the marker to prevent the product of being used as a diesel extender</td>
</tr>
<tr>
<td>RAF</td>
<td>Road Accident Fund</td>
</tr>
<tr>
<td>SARS</td>
<td>South African Revenue Service</td>
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<tr>
<td>Schedule 1</td>
<td>Customs, Excise and Sales Duties and Surcharge</td>
</tr>
<tr>
<td>Unmarked illuminating kerosene</td>
<td>Illuminating kerosene which does not contain the marker for use in aircraft</td>
</tr>
<tr>
<td>VAT</td>
<td>Value Added Tax</td>
</tr>
<tr>
<td>ZES</td>
<td>Export of South African products as Ships / Aircraft stores ex Customs and Excise Warehouse</td>
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### 5 DOCUMENT MANAGEMENT

<table>
<thead>
<tr>
<th>Standard Owner</th>
<th>Executive: Compliance Centre Operations</th>
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<tbody>
<tr>
<td>Detail of change from previous revision</td>
<td>Penalties and appeal against decisions have been added; The Registration process are dealt with in a separate document; The export of Aviation part has been removed and is dealt with in SE-CL-10; and Template has been updated.</td>
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<tr>
<td>Template number and revision</td>
<td>ECS-TM-03 - Rev 8</td>
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