



# Customs Outward Processing Procedure

Customs & Excise



*South African Revenue Service*

# Customs Outward Processing Procedure

## Preface

This guide enhances the understanding of the customs outward processing procedure. It does not go into comprehensive technical and legal detail and should therefore not be used as a legal reference.

This guide has no binding legal effect.

Should you require more information you may –

- visit the SARS website at **[www.sars.gov.za](http://www.sars.gov.za)**;
- contact the SARS National Contact Centre –
  - if calling locally, on 0800 00 7277;
  - if calling from abroad, on +27 11 602 2093 (only between 8am and 4pm South African time);
- have a virtual consultation with a SARS consultant by making an appointment via the **SARS website**;
- visit your nearest SARS branch office, preferably after making an appointment via the **SARS website**; or
- contact your own tax advisor or tax practitioner.

Comments on this guide may be sent to **[C&E\\_LegislativeComments@sars.gov.za](mailto:C&E_LegislativeComments@sars.gov.za)**.

**Legislative Policy: Customs and Excise**  
**SOUTH AFRICAN REVENUE SERVICE**  
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## 1. Purpose

This guide enhances the understanding of the customs outward processing procedure.

## 2. Introduction

Outward processing is a customs procedure whereby goods that are in free circulation (that is, not subject to customs control) are temporarily exported from the Republic to undergo processing or repair abroad. The processed or repaired goods are re-imported and released for home use with partial relief from import duty as only the added value, being the cost of repair or processing, is subject to the payment of duty and VAT on re-importation.

## 3. Legislative framework

### 3.1 Schedule 4 to the Customs and Excise Act, 1964

Section 47 of the Customs and Excise Act, 1964, (the Act) imposes customs duty on all imported goods in accordance with the duty rates described in Part 1 of Schedule No. 1 to the Act. Rebate items 409.04/00.00/01.00 and 409.07/00.00/01.00 of Schedule No. 4 to the Act provide for a rebate of duty on temporarily exported goods that have been repaired or processed abroad and re-imported.

Rebate Item	Description	Extent of Rebate
409.04/00.00/01.00	Imported or locally manufactured articles sent abroad for processing or repair, provided they are exported under customs and excise supervision, retain their essential character, are returned to the exporter, no change of ownership having taken place, and can be identified on re-importation	Full duty less the amount of any rebate, refund and drawback granted previously and less the duty on the cost of processing or repair
409.07/00.00/01.00	Compensating products (excluding goods liable to the duties specified in Part 2 of Schedule No. 1) obtained abroad from goods temporarily exported for outward processing, in terms of a specific permit issued by the International Trade Administration Commission (ITAC) provided—  (i) the specific permit is obtained before the temporary exportation of the goods;  (ii) if the ownership of the compensating products is transferred prior to entry for customs purposes, such goods are entered in the name of the person who exported the goods; and	Full duty less the amount of any rebate, refund and drawback granted previously and less the duty on the cost of processing or repair

	(iii) any additional conditions which may be stipulated in the said permit, are complied with	
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### 3.2 Schedule 1 to the Value-Added Tax Act, 1991

Section 7(1)(b) of the Value-Added Tax Act, 1991 (VAT Act) imposes value-added tax (VAT) on the importation of any goods into the Republic by any person. Section 13 of the VAT Act provides for the collection of VAT on importation of goods, determination of the value of such goods and exemptions from VAT. Paragraph 8 of Schedule 1 of the VAT Act provides for other categories of goods that are exempt from VAT. These are identified by heading numbers or rebate items and the descriptions as contemplated in Schedule No. 4 to the Act, respectively. For example, item number 409.04 in Schedule No. 1 and corresponding rebate item 409.04 in Schedule No. 4. In some instances, the VAT exemption items contain additional requirements or limitations or relaxations that differ from the Act. Even if the provisions of the Act and the Schedules to the Act are worded differently, the provisions of Schedule 1 to the VAT Act must be met to qualify for the VAT exemption.

Value-added tax exemption items 409.04/00.00/01.00 and 409.07/00.00/01.00 in paragraph 8 of Schedule 1 to the VAT Act provide for an exemption from the payment of VAT on temporarily exported goods that have repaired or processed abroad and re-imported.

VAT Exemption Item No.	Description
409.04/00.00/01.00	Imported or locally manufactured articles sent abroad for processing or repair, provided they are exported under customs and excise supervision, retain their essential character, are returned to the exporter, no change of ownership having taken place subsequent to their exportation from the Republic, and can be identified on re-importation: Provided that this exemption shall apply only to the extent of the value of the goods sent from the Republic on the day such goods left the Republic
409.07/00.00/01.00	Compensating products (excluding goods liable to the duties specified in Part 2 of Schedule No. 1 to the Customs and Excise Act) obtained abroad from goods temporarily exported for outward processing, in terms of a specific permit issued by the International Trade Administration Commission, provided—  (i) the specific permit is obtained before the temporary exportation of the goods;

	<ul style="list-style-type: none"> <li>(ii) if the ownership of the compensating products is transferred prior to entry for customs purposes, such goods are entered in the name of the person who exported the goods</li> <li>(iii) any additional conditions which may be stipulated in the said permit, are complied with; and</li> <li>(iv) that this exemption shall apply only to the extent of the value of the goods sent from the Republic on the day such goods left the Republic.</li> </ul>
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#### **4. Item 409.04/00.00/01**

##### **4.1 Registration with the South African Revenue Service**

A person must register with the South African Revenue Service (SARS) as an importer and exporter and must acquaint him or herself with the requirements of SARS.

Further guidance is provided in *SC-CF-19 – Registration Licensing and Designation – External Policy*.

##### **4.2 International Trade Administration Commission permit**

No ITAC permit is required for the rebate of duty provided for in this item.

##### **4.3 Export under customs and excise supervision**

The goods must be exported under customs and excise supervision. Application must be made to Customs for special or extra attendance of a customs officer. Extra attendance is any attendances outside the specified working hours of a customs officer, while special attendance is for specific attendances within the specified working hours. The application must be submitted in duplicate at least 24 hours in advance on a DA 73 to the controller or branch manager. SARS will provide the officers with transport to the place where services are to be rendered.

Further guidance is provided in the *Special and Extra Attendance – External Policy SC-CF-22*.

##### **4.4 Essential character**

The goods must retain their essential character after processing or repair. All imported and exported goods must be declared on a customs clearance declaration with the applicable tariff heading. The re-imported goods must fall within the identical tariff heading that was declared on exportation.

Further guidance is provided in the *SC-CF-19 – Tariff Classification – External Policy SC-CR-A-09*.

#### **4.5 No change of ownership**

No change of ownership is permissible while the goods are under the outward processing customs procedure.

#### **4.6 Identification on Re-importation**

Traders must ensure that it is possible to establish that the re-imported goods can be identified by SARS as the goods that were originally exported by recording of, amongst others, the specific marks or numbers of the goods.

### **5. Item 409.07/00.00/01.00**

#### **5.1 Registration with the South African Revenue Service**

A person must register with SARS as an importer, exporter, and user of rebate item 409.07, and must acquaint him or herself with the requirements of SARS.

Further guidance is provided in the *SC-CF-19 – Registration Licensing and Designation - External Policy*.

#### **5.2 International Trade Administration Commission permit**

The objective of rebate item 409.07 is to encourage local manufacturing activities that could otherwise not be undertaken. The item therefore contributes to the economy in the Customs Union. The issue of a 409.07 permit is recommended only in those cases in which, in the absence of the permit, production by local industry would be lost. Permits will therefore be issued only when local production will not be eroded. Local manufacturing of products similar to those imported are encouraged.

Applications for permits must be made to ITAC before exportation of the goods. Rebate permits of this type are granted when a specific stage of the manufacturing process cannot be carried out in the Customs Union owing to factors such as a dearth of local production capacity, technology, or expertise. Justification for the granting of a permit exists only if value is added by local processing before exporting and/or as a result of further local processing after import. Each rebate permit issued defines the period during which the goods concerned may be cleared under the rebate. The period is usually issued for a calendar year and commences on the date on which the permit was issued. The permit may be issued for a shorter period as requested by the applicant, or as decided upon by ITAC.

Further guidance is available from ITAC.

#### **5.3 Compensating products**

The ITAC permit will state the description, tariff subheading, quantity, and value of the compensating products processed from the goods originally exported that can re-imported with the rebate of custom duty.

#### **5.4 Change of ownership**

If the ownership of the compensating products is transferred before entry for customs purposes on re-importation, such goods must be entered in the name of the person that exported the goods.

## 6. Calculation of the rebate of customs duty and exemption of value-added tax

### 6.1 Compliance with the conditions of the items

If the conditions prescribed in items 409.04/00.00/01.00 and 409.07/00.00/01 are complied with, duty and VAT will be brought to account on the cost of repair or processing, Without the rebate of duty and exemption of VAT provided for in the items, duty and VAT would have to be brought to account on the full customs value on re-importation.

If the conditions prescribed in items 409.04/00.00/01.00 and 409.07/00.00/01 were not complied with, duty and VAT must be brought to account on the full customs value of the imported good.

#### Example

Scenario	Goods valued at R1 000 were exported for repair and the conditions of item 409.04/00.00/01.00 was fully complied with. Consequently, duty and VAT will be levied on the cost of repair and not the full customs value.	Goods valued at R1 000 were exported for repair, however, the goods were not exported under customs supervision as required by item 409.04/00.00/01.00. Consequently, duty and VAT will be levied on the full customs value instead of the cost of repair as one the conditions for the rebate of duty and exemption of VAT were not met.
Cost of repair (including repairer's profit, costs, charges and expenses incidental to delivery of the goods to the free on board valuation point for export to South Africa)	R100	R100
Customs value	R1 100	R1 100
Duty at 5%	$R100 \times 5\% = R5$	$R1\ 100 \times 5\% = R55$
Added tax value (ATV)	$R100 + R10 + R5 = R115$	$R1\ 100 + R110 + R55 = R1\ 265$
15% VAT	$R115 \times 15\% = R17,25$	$R1265 \times 15\% = R189,75$
Total duty and VAT due	R22,25	R244,75

Further guidance is provided in the *Valuation of Imports – External Policy SC-CR-A-03 - External Policy*.