



Presentation to Standing Committee on Finance

(Illicit Tobacco)

2 May 2018

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Legislative

Tax Administration Laws Amendment Bill 2016 introduced

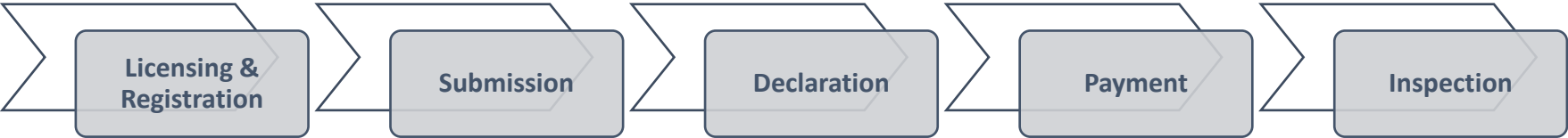
- Compliance with article 8 obligation of the Protocol to eliminate Illicit Trade in Tobacco Products of the WHO
- Track and Trace obligations on both locally manufactured and imported tobacco products
- Replacement of Fiscal marker

Excise Value Chain

Products & Processes



Specific Excise Duties	Ad Valorem Excise Duties	Excise Levies
<ul style="list-style-type: none">• Fuel/Petroleum• Tobacco• Malt Beer• Traditional Beer• Spirits and Liquor Products• Wine and other fermented beverages	<ul style="list-style-type: none">• Motor Vehicles• Cellular telephones• Electronic equipment• Perfumeries	<ul style="list-style-type: none">• Fuel levy on Petroleum products• Road Accident Fund levy• Diamond export levy• Environmental levies e.g. Plastic bags, electricity, electric filament lamps and carbon emission



Technology

Track and Trace - objective

Maintain the security of the SARS Revenue base

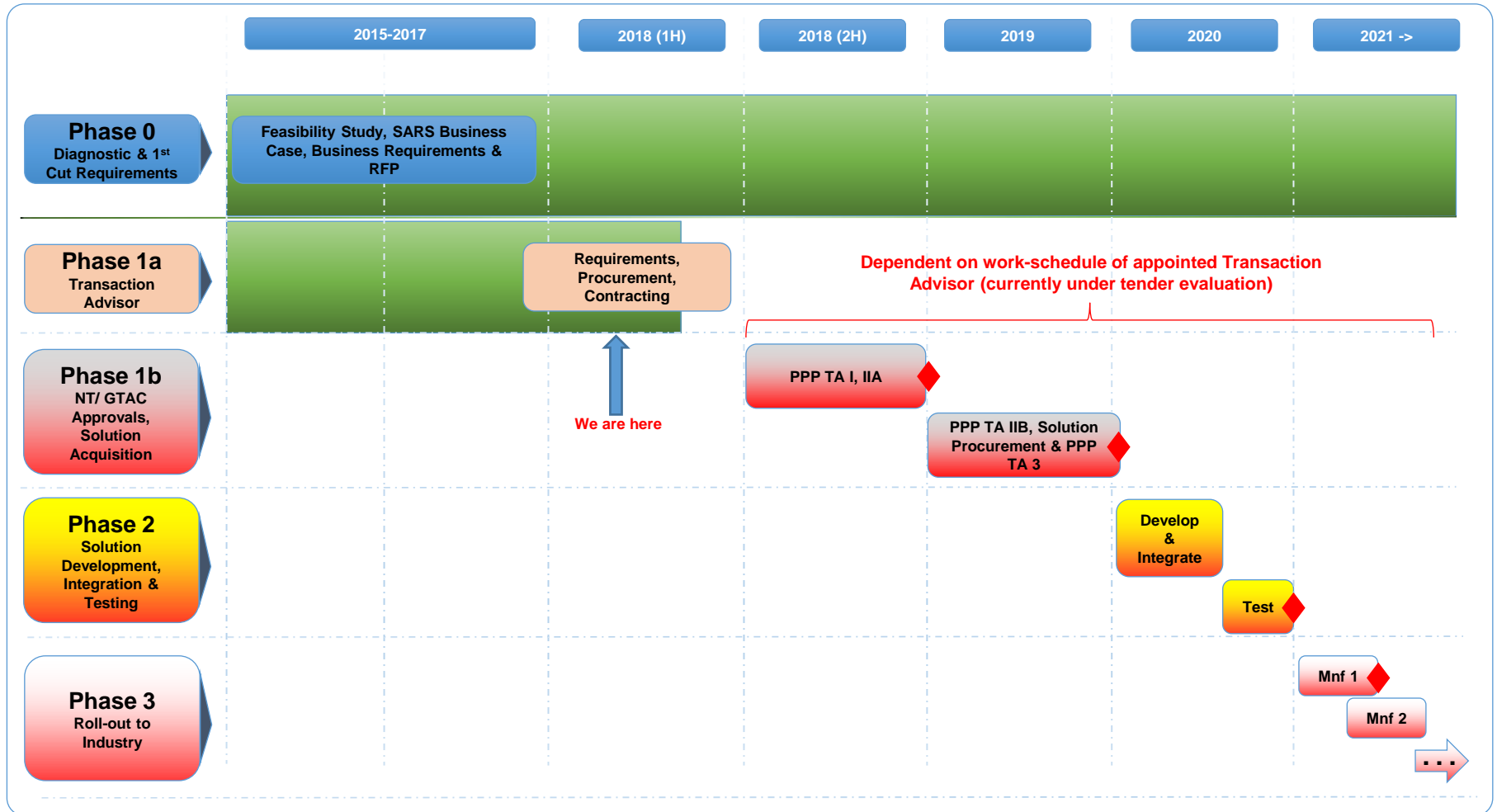
- Enhanced Tax Revenue Collections by providing business intelligence to aid officials in Auditing and enforcement;
- Assurance of declarations made by vendors;
- Proper accountability of all Excisable movement control;
- Accurate real time production accounting; and
- A complete system that allows full control by SARS to securely code or mark goods

In line with WHO obligation implement Track and Trace to

- Securely mark excisable goods and/or products;
- Track and trace excisable products to the manufacturer and its production line(s), as well as importers, with coding to individual or batch level;
- Validate manufacturer / vendor declarations;
- Collate and directly transmit management information from the manufacturers' production line(s) to SARS;
- Enable traceability to distribution, point-of-sale and exit points out of South Africa; and
- Provide audit enforcement capability to effectively identify and prosecute perpetrators within the Excise domain.

Technology - Indicative Project Trajectory

Major Phases of Delivery



Technology - current status

Activities Completed

LEGISLATION	Sections 35A & 54 of Customs & Excise Act to allow tracking & tracing of tobacco products (2016)
DIAGNOSTIC	Diagnostic analysis, internal feasibility study & market analysis of Track & Trace solutions
GOVERNANCE	Project Steering Committee & Working Groups (Functional, Technical & Change Management)
SOLUTION REQUIREMENTS	Conceptual Design, Business Requirements
RFP DOCUMENTATION	1 st Cut Solution RFP & Evaluation Criteria
TRANSACTION ADVISOR	NT/GTAC project registration and approval to acquire Transaction Advisor. RFP advertised
RELATIONSHIPS	Letter of Understanding with National Department of Health. Engaged with State Security Agency

Technology - current status

Activities In progress

TRANSACTION ADVISOR	Evaluation of RFP submissions
CHANGE MANAGEMENT	Finalisation and activation of Industry Stakeholder Engagement strategy
OTHER REVENUE AGENCIES	2 nd Benchmarking Exercise for comparison to earlier site-visits
WORKING GROUPS	SARS impact analysis on internal processes, organisational units, 1 st cut policies & procedures
RELATIONSHIPS	Engagement model with National Department of Health

Technology - current status

Next Steps

TRANSACTION ADVISOR	Conclude contracting once current RFP evaluations are completed
TREASURY APPROVAL	Collaborate with Transaction Advisor to attain Treasury Approvals (I, IIA, IIB, III) for selection of service/solution provider (PPP)
SOLUTION PROCUREMENT	Refine Conceptual Design, Business & Technical Requirements in conjunction with Transaction Advisor
LEGISLATION	Adjust rules to align with adopted solution. Introduce new provisions for other products in Act
IMPLEMENTATION READINESS	Construct, Integrate and Test solution with relevant stakeholders
RELATIONSHIPS	Engage government departments, industry stakeholders and other impacted parties to facilitate implementation across all products
ROLL-OUT	Roll-out of solution to manufacturing plant of identified excisable goods manufacturers

Operational - integrated compliance audits (since 2014)

Integrated Audits 2017/18

- 34 Engagement letters issued
- 43 Business Reviews completed
- Completed 12 Full Scope Audits
- Issued letters of intent = R67m
- Letters of assessment/demand = R326m
- Collected = R228m
- Audited all registered cigarette manufacturers

Integrated Audits inception to date

- 151 Limited Scope Audits completed
- 18 Low Risk cases completed
- 102 Business Reviews and factory visits
- 855 outstanding returns collected
- R1bn collected
- R1.7bn assessment raised
- R383m letter of intent issued

Operational – seizures 2014/15 to 2017/18

Day2Day Operations

- Seizures = 1 368
- Value = R 217m
- Sticks = 270m

Tobacco and Cigarettes remain a focus area in the SARS Compliance Programme

Thank you
Re a leboha
Re a leboga
Ndza Khensa
Dankie
Ndi a livhuwa
Ngiyabonga
Enkosi
Ngiyathokoza

Stakeholder management

Tobacco Forum

- Made up of SARS, FITA and TISA
- Forum was discontinued in FY 2016/17
- Forum is meant to
 - foster collaboration
 - increase compliance in the sector
 - Better information flow
- SARS is currently in the process to reconstitute the forum