PRESENTATION TO
THE PORTFOLIO COMMITTEE ON
SOCIAL DEVELOPMENT:
Prevention of and Treatment for
Substance Abuse Bill [B12-2008]

Parliament, Cape Town
20 – 21 May 2008
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Purpose

- To inform the Portfolio Committee on Social Development of the SARS Strategy in combating substance abuse
- To comment on Legal and Policy implications in support of the Bill
SARS Illicit Economy Strategy

- SARS is tasked to implement/administer tax and customs legislation
- Aim:
  - Provisioning of revenue to government
  - Protection of the national economy
  - Mandate to address the tax gap – illicit economy
  - Protection of society from harmful substances and/or goods
- Enforcement and Operations (ICE Committee & IEWG)
- Amplify need for inter-departmental cooperation
Enforcement Division

- Aims to determine nature and extent of threat
- Compliance Risk Division supports analytical products – risk profiles, targeting, etc.
- Focused enforcement campaigns includes drugs, tobacco products, alcohol products, dual use products (chemicals), etc.
- Identify and research value chains and drivers
- International RILO/CEN Networks
Enforcement Division

- Comprises of approximately 200 personnel
- Combined financial and criminal investigative and debt management capabilities
- Mandate:
  - Illicit/organised crime economy
  - Organised and sophisticated financial schemes in licit economy
  - Cases of sensitive nature
  - Combine disciplines across SARS in single team – joint audit, criminal investigations, etc.
Enforcement Division

- Illicit economy Work Group will support Chapters 9 and 10 of proposed Bill
  - through provision of customs and tax intelligence emanating from illicit trade in legal/illegal substances
  - By fulfilling a liaison function with SARS internal stakeholders and external stakeholders (SAPS, NPA, NIA, FICA, SANDF, SARB, etc.)

- Capacity:
  - Research dedicated to nature and extent of illicit economy, in main substance abuse related goods which are normally high duty value, quick turn-over goods
  - Acting/assisting SARS representative on Central Drugs Authority Body
  - Acting/assisting SARS representative on any Provincial/Local substance abuse forum

- Instrumental for intelligence for development of Mini Drug Master Plan

- Intelligence support for annual reports, any other reports required in this regard
Model incorporates an end to end supply chain solution incorporating all relevant entities in the chain.

- Export country:
  - Exporters
  - Manufacturers
  - Customs
  - Others
  - Foreign Ports
- In transport:
  - Brokers
  - Carriers
- Import country:
  - Distributors
  - Customer
  - Others
  - Brokers
  - Customs

Order | Invoice | Letter of Credit | Export Declaration | Bill of Lading | Manifest | Import Declaration
--- | --- | --- | --- | --- | --- | ---

Increased global inter-connectedness
Increased international trade volumes
International Best – Practise in line with global trade patterns

Trans-national organized crime networks
Security threats
Lead Agency

International Customs trade facilitation and standards
Customs Border Control (CBCU)

**What we aim to achieve within CBCU?**

- Towards enhanced international partnerships
- Towards strong regional partnerships
- Towards improved partnerships with other Government agencies
- Towards a more intelligent monitoring of international trade supply chains (“intelligence-driven risk management”)
- Towards a transparent and predictable regulatory framework
- Towards assertive border and trade management
- Towards the creation of a paramilitary law enforcement culture
Customs Border Control (CBCU)

**Areas of improvements**

- Establishment of a law enforcement unit –
  - 1st Trainees deployed at ORTIA Phase 1 and Scanner Unit Durban Harbour
  - Next – ORTIA Phase 2; Lebombo and Durban Harbour
  - Rest between now and 2010
- Establishment of a dog unit capability
  - Deployed at ORTIA and Durban Harbour
- Non-intrusive equipment – Scanner Units; etc.
- Improve intelligence capability
- Customs systems modernisation
Customs Operations – Prohibited and Restricted Goods Control

- EDI Processing of import/export declarations
- Advanced cargo information
- Classification; Prohibition and Restrictions:
  - Hard coding of tariff items
  - Started with main Chemicals
  - Initiative to issue permits electronically
- Interface with BIU and ICRAS
  - Incorporated into ICRAS risk management system
  - Analysis and profiling
Customs Operations – Trader Management and Compliance

- POST CLEARANCE INSPECTION/AUDIT
  - Based on risk and intelligence
  - Supply chain and documentary analysis/audit

- SARS/BUSINESS PARTNERSHIPS
  - Tobacco Industry Stakeholder Forum

- ANTI-SMUGGLING
  - Manifest targeting
  - Visibility and interdiction
  - Cargo interventions, rummaging of vessels, aircraft and vehicles
  - Surveillance and patrols
  - Training – UNODC
  - Joint Drugs Teams (SAPS/SARS)
    (See CBCU)
Legal and Policy

- SARS Administered Legislation
  - Income Tax Act
  - Value Added Tax Act
  - Customs and Excise Act,
    - Sections 4, 113(2) and (8)

- Other relevant legislation, e.g. Prohibitions and Restrictions – Departments of Health; Agriculture; the dti – Imports Control Act
<table>
<thead>
<tr>
<th>Clause 2</th>
<th>SARS supports the objectives of the Bill</th>
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<tbody>
<tr>
<td>Clause 3(2)(e)</td>
<td>The collaborative approach among government departments/agencies is supported</td>
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<tr>
<td>Clauses 7(1) and 9(1)</td>
<td>The consultation process referred to is supported</td>
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<tr>
<td>Clause</td>
<td>Description</td>
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<td>49(2)</td>
<td>SARS will be part of the Central Drug Authority</td>
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<tr>
<td>Clauses 53 and 56</td>
<td>SARS could be part of the Provincial Substance Abuse forum and the local Drug action Committee</td>
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<td>58(1)</td>
<td>Government departments will be required to commit to provide human and financial resources to ensure implementation of the National Drug Master Plan</td>
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<tr>
<td>Clause 49(2)(i)</td>
<td>Reference to South African Revenue Services should read South African Revenue Service.</td>
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<td>Clause 54(b)</td>
<td>The flow of information between members of the forum will be subject to the current legal framework. The provisions of section 4(3) of the Customs and excise Act, 1964 do not contemplate the disclosure of tax payer specific information in these circumstances. This also applies to other SARS administered legislation.</td>
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</table>
The clause provides that the Central Drug Authority must request responsible government departments to submit annual reports and other reports as may be required. The provisions of section 4(3) of the Customs and Excise Act, 1964 do not contemplate the disclosure of taxpayer specific information in these circumstances. This also applies to other SARS administered legislation.

If exchange of information referred to implies taxpayer specific information then legislative amendments of section 4 will be required.
WCO Framework of Standards

Objectives and Principles of the Framework – it aims to:

- Establish standards that provide supply chain security and facilitation at a global level to promote certainty and predictability.
- Enable integrated supply chain management for all modes of transport.
- Enhance the role, functions and capabilities of Customs to meet the challenges and opportunities of the 21st Century.
- Strengthen co-operation between Customs administrations to improve their capability to detect high-risk consignments.
- Strengthen Customs/Business co-operation.
- Promote the seamless movement of goods through secure international trade supply chains.
The Four Core Elements of the WCO Framework:

- **First**, the Framework harmonizes the advance electronic cargo information requirements on inbound, outbound and transit shipments.

- **Second**, each country that joins the Framework commits to employing a consistent risk management approach to address security threats.

- **Third**, the Framework requires that at the reasonable request of the receiving nation, based upon a comparable risk targeting methodology, the sending nation's Customs administration will perform an outbound inspection of high-risk containers and cargo, preferably using non-intrusive detection equipment such as large-scale X-ray machines and radiation detectors.

- **Fourth**, the Framework defines benefits that Customs will provide to businesses that meet minimal supply chain security standards and best practices.
The Two Pillars of the Framework:

The WCO Framework, based on the previously described four core elements, rests on the twin pillars of:

- Customs-to-Customs network arrangements and
- Customs-to-Business partnerships.

The two-pillar strategy has many advantages.

- The pillars involve a set of standards that are consolidated to guarantee ease of understanding and rapid international implementation.
- Moreover, the Framework draws directly from existing WCO security and facilitation measures and programmes developed by Member administrations.