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# IMPORT PROFILE OF SOUTH AFRICA 2022

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TRADE COMMISSION OF PAKISTAN, JOHANNESBURG

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### 1. INTRODUCTION

South Africa (SA) is one of the most geographically varied countries of the African continent, comprising territory that ranges from fertile plains of the highland to the wide open Savannah of

Mpumalanga to the Kalahari desert and the peaks of the Drakensberg Mountains. In addition to this, it is also home to excellent economic infrastructure, both roads and rail systems, abundance of accommodation, farmlands, vineyards and beautiful beaches.

SA is bordered by the Atlantic ocean on the west, the Indian ocean on the south and east. Along its northern border, from west to east, lie Namibia, Botswana and Zimbabwe, and to the Northwest are Mozambique and Swaziland, and its eastern central plain is the independent Kingdom of Lesotho. It has a sound financial system, highly regulated banking sector, world-class infrastructure.

The economy has been showcasing a sharp twists and turns in the growth trajectory since 2000s. According to the World Bank data, the South African economy experienced highest GDP growth in 2005 of 5.2%, whereas the lowest GDP growth rate recorded in 2009 of -1.5%, it recovered in 2011 to 3.2% but ever since it is in range of 2-3% growth rate. For 2019, the growth in economy is also not so encouraging. According to Department of Statistic of Government of South Africa, the economy rebounded from a low base to record positive growth of 3.1% in the second quarter (April–June 2020), however, activity in the South African economy slipped slightly in the third quarter. Mining, manufacturing and transport were the biggest drags on growth in gross domestic product (GDP). After being hit hard by COVID19crises, the economy has entered recession and the growth is predicted to be around 1%. Moody's has dropped South Africa to sub-investment grade at Ba1 and has also put a negative outlook on the rating which is now equivalent to the BB+ negative of Fitch.

**Administration System:** South Africa is a constitutional democracy with a three-tier system of government and an independent judiciary. The national, provincial and local levels of government all have legislative and executive authority in their own spheres, and is defined in the Constitution as "distinctive, interdependent and interrelated". The legislature structure comprise of Parliament and Cabinet at the National Level. The Provincial Legislature consists of Premier and Members of the Executive Council. The Judicial system consists of Constitutional Court, Supreme Court of Appeal, High Courts and Magistrate Courts. The Judicial Service Commission appoints the Judges.

**Some important departments:** The Government in South Africa is administered by various Departments. Some of the important Departments are:-

- i. **Department of Trade and Industry (DTI).** Department of Trade and Industry (DTI) is responsible for overall policy and management of Trade and Industry in South Africa. In addition to its internal capacity, the DTI relies on a group of specialised, regulatory and financial development agencies and institutions in supporting its economic growth, employment and equity ideals, and in delivering products and services to the economic citizens of the country. Trade and Investment South Africa (TISA) is also a part of DTI and aims at increasing export capacity and support direct investment flows via the implementation of strategies directed at targeted markets and effectively manage DTI's network of foreign trade offices.

- ii. **Department of Small Business Development (DSBD).** The mission of the Department of Small Business Development (DSBD) is to create a conducive environment for the development and growth of small businesses and cooperatives through the provision of enhanced financial and non-financial support services and leveraging on public and private partnerships.
- The National Development Plan articulates a vision of an economy that is inclusive, equitable and fast growing, with small, medium and micro enterprises (SMMEs) contributing 90% of the jobs by 2030.
  - The department's Mass Youth Enterprise Creation Programme is aimed at creating enterprise opportunities for youth-owned SMEs and Cooperatives committing government departments to earmark 30% of their procurement spend towards growing and expanding youth owned enterprises in their acquisition of goods and services in fulfilling their operational mandate.
  - The Bavumile Skills Development Programme facilitates for many women to access formal training to improve the quality in their products.
- iii. **Department of Agriculture, Forestry and Fisheries (DAFF).** The Department falls under the responsibility of the Minister of Agriculture, Forestry and Fisheries. It is responsible for Agricultural Production, Health and Food Safety, Food Safety and Agrarian Reforms, Economic Development, Trade and Marketing, Forestry and Natural Resource Management and Fisheries Management. All import related matters related to agricultural goods, forestry and fisheries are also dealt with by this department.
- iv. **South Africa Revenue Service (SARS).** SARS is the nation's tax collecting authority. It was established in terms of the South African Revenue Service Act 34 of 1997 as an autonomous agency, which is responsible for administering the South African tax system and customs service.
- v. **Department of Economic Development (EDD).** It is responsible for, among other things, coordinating the economic development contributions of government departments, state entities and civil society; and promoting government's ability to achieve its goals of advancing economic development with decent work opportunities.
- vi. **Department of Defence.** Department of Defence deals with the Army, Air Force, Navy and SA Military Health Services. It is in-charge department of all operational and policies issues related to the Defence sector. Cooperation and trade in defence with foreign governments and entities is also dealt with by this department.
- vii. **Department of Energy.** Department of Energy is responsible for exploration, development, processing, utilisation and management of South Africa's energy sources. Administration, Energy Policy and Planning, Petroleum and Petroleum Products Regulation and Electrification and Energy Programme and Project Managements are core responsibilities of this department. Energy related import and export matters are dealt with by this department.

- viii. **Department of International Relations and Cooperation (DIRCO).** DIRCO is responsible for formulating, coordinating, implementing and managing South Africa's foreign policy and international relations programmes, promote South Africa's national interests and values.
- ix. **Department of Home Affairs (DHA).** Department of Home Affairs offers multitude of services for the citizens of South Africa as well as for foreigners who wish to visit, work or stay in South Africa. Its core responsibilities are maintaining the National Population Register (NPR), managing the birth, marriage and death records, determining and granting citizenship, issuing travel documents and passports and issuing identity documents (ID). It is also responsible for administering admissions into the country, determining the residency status of foreigners and issuing permits thereof, custodianship of refugee affairs, inspectorate and policy directives.

## 2. TRADE PREFERENCE AGREEMENTS OF THE HOST COUNTRY

There have been no significant changes in South Africa's trade administration regime over the past decade. South Africa practices import and export administration, based on the 2002 International Trade Administration Act which is implemented by the International Trade Administration Commission (ITAC) and the Department of Trade and Industry (DTI). The other related laws include the Customs and Excise Act 1964, the Consumer Code and Sales and Service Code.

- **EU-South Africa Bilateral Free Trade Agreement:** This agreement was signed in 11-Oct-1999, notified to WTO under GATT Article XXIV and still in-force. Current signatories include: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxemburg, Malta, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Sweden, Spain, South Africa.
- **Southern Africa Customs Union Agreement (SACU) 2002:** On October 21, 2002, with the four countries including Botswana, Lesotho, Namibia and Swaziland, South Africa signed the Southern Africa Customs Union Agreement (SACU), which came into force on July 15, 2004. Under the agreement, the policies of the free interchange of goods between member countries and a common external tariff to non-member countries are put into place. South Africa is responsible for the administration of the Customs Union.
- **EU-SADC Free Trade Agreement:** This agreement was signed on 10-Jun-2016 for goods and notified to the WTO under GATT Article XXIV. The agreement is plurilateral in nature. Current signatories include: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxemburg, Malta, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Sweden, Spain, Botswana, Eswatini, Lesotho, Mozambique, Namibia, South

Africa. The Agreement has been provisionally applied between Botswana, Lesotho, Namibia, South Africa and Eswatini on the one hand and the EU on the other hand as from 10-Oct-2016. On 16-Jan-2018, Mozambique expressed its concurrence to the ratification of the agreement by letter addressed to the Council of the European Union. The Agreement will be provisionally applied between Mozambique, on the one hand, and the EU on the other hand as from 04-Feb-2018. The Agreement will enter into force after it has been ratified by all the Parties.

- **EFTA-SACU:** This agreement is only goods related and notified to the WTO under GATT Article XXIV was signed on 26-Jun-2006. Current members are : Botswana, Lesotho, Namibia, South Africa, Eswatini, Iceland, Liechtenstein, Norway, Switzerland.
- **Southern African Development Community (SADC):** This plurilateral agreement for goods was signed on 24-Aug-1996 and was notified to WTO under GATT Article XXIV. This agreement has separate protocols for trade in services and goods. The Parties to the Protocol on Trade of the Southern African Development Community (SADC) are Angola, Botswana, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Eswatini, the United Republic of Tanzania, Zambia and Zimbabwe. The Democratic Republic of Congo is a member of SADC, but is not a Party to the Trade Protocol. Angola has not yet submitted its tariff offers to other SADC members.
- **Southern Common Market (MERCOSUR)-SACU:** This agreement was signed in 15-Dec-2008 and came into force in 1-April-2016. Both parties to the agreement are regional in nature . This is a partial scope agreement and has been notified to the WTO under the Enabling Clause. This bilateral agreement only deals with trade in goods among the signatory countries. Member countries include: Argentina, Brazil, Paraguay, Uruguay, Botswana, Lesotho, Namibia, South Africa, Eswatini.
- Memorandum of Understanding between the Government of the Republic of South Africa and the Government of the People's Republic of China on promoting Bilateral Trade and Economic Co-operation (MOU with People's Republic of China).
- Agreement between the Government of the Republic of South Africa and the Government of the United States of America regarding Mutual Assistance between their Customs Administrations (**AGOA**).

### 3. OVERVIEW OF IMPORT REGULATIONS

South Africa operates a protective regime with huge duties and taxes along with chain of administrative arrangements in place. Importers have to deal with a range of regulation and

bureaucratic processes to complete the import process. Some of the major rules and regulations are listed below:-

- i. International Trade Administration Act, 2002, (Act 71 of 2002).
- ii. Customs and Excise Act, 1964, (Act 91 of 1964).
- iii. Value-Added Tax Act, No 89 of 1991
- iv. Promotion to Administrative Justice Act, 2000, (Act 3 of 2000).
- v. Promotion to Access to Information Act, 2000, (Act 2 of 2000).
- vi. Montreal Protocol
- vii. 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances
- viii. Counterfeit Goods Act, 1997 (Act No. 37 of 1997)
- ix. Trade Marks Act, 1993
- x. Medicines and Related Substances Act, 1965 (Act 101 of 1965)
- xi. Agricultural Pests Act (36/1983)
- xii. Agricultural Product Standards Act (119/1990)
- xiii. Foodstuffs, Cosmetics and Disinfectants Act, 1972 (Act 54 of 1972)
- xiv. Foodstuffs, Cosmetics and Disinfectants Act, 1972 (Act 54 of 1972)
- xv. Explosives Act 15 of 2003
- xvi. Regulations Relating to The Import and Export of Human Tissue, Blood, Blood Products, Cultured Cells, Stem Cells, Embryos, Foetal Tissue, Zvgotes And Gametes
- xvii. National Health Act, 2003
- xviii. Genetically Modified Organisms Act (GMO Act; Act No. 15 of 1997)
- xix. Genetically Modified Organisms Amendment Act (Act No. 23 of 2006)
- xx. Genetically Modified Organisms Act Regulations (No. R. 120 of 2010)
- xxi. Meat Safety Act (Act No. 40 of 2000)
- xxii. National Regulator for Compulsory Specifications (NRCS) Act, 2008
- xxiii. National Road Traffic Act (Act No 93 of 1996)
- xxiv. Currency and Exchange Guidelines
- xxv. Precious Metals Act [No. 37 of 2005]
- xxvi. National Conventional Arms Control Act 41 of 2002
- xxvii. Hazardous Substances Act, No. 15 of 1973.
- xxviii. South Africa Medical Device Regulations
- xxix. Animal Diseases Act, 1984 (Act No 35 of 1984)
- xxx. Drugs and Drug Trafficking Act No. 140 of 1992
- xxxi. Foodstuffs, Cosmetics and Disinfectants Act, 1972 (Act 54 of 1972)

#### **4. NON TARIFF BARRIERS**

#### a. Import Licenses/Permits

A large number of imported goods require import permit from the relevant department in view of the relevant legislation and requirements of the department. This process of import license/permit is somewhat cumbersome for first time entrants as has to go through the bureaucratic process and required fulfilling of many procedural and other requirements. Importer needs to ascertain whether the Import Permit is required for imported good. The goods that are listed in the document of Prohibited or Restricted Goods list or those specified in “Product Specific Information” section of this document require Import Permit from relevant government organization.

For more information the link given below can be used.

<https://www.sars.gov.za/Legal/Primary-Legislation/Pages/Schedules-to-the-Customs-and-Excise-Act.aspx>

#### b. Sanitary and Phytosanitary Measures

- South Africa provides that imported meat must be licensed. The inspection and quarantine as well as the procedures of customs clearance for the imported meat vary with its origins. For the reason of “public interest”, inspection and quarantine personnel can suspend or revoke issued licenses, or add new conditions and requirements for application for licenses. Meat exporters should understand the relevant procedures and requirements prior to export through the local authorities, so as to avoid unnecessary losses.
- As is stipulated by the national drug control policies of South Africa, all drugs must be registered in South Africa before they are imported to or sold in South Africa, and all drugs must re-apply for licenses every 5 years.
- South African government implements strict import administration on some controlled products and prohibits the import of radiation processed meat. South African government’s prohibition of radiation processed meat is not scientific and has impeded the ordinary trade.
- In August 2008, South Africa introduced the Complementary and Alternative Medicines Act, which makes many functional foods subject to administration. The act stipulates detailed requirements for the packing, production and registration of functional foods, and demands that the right owners should disclose their formulas. Exporters hold that these requirements will over-limit the production, marketing and operation of relevant enterprises in South Africa and furthermore let out the confidential information.

#### c. Preferential Treatment to Partner Countries Regarding NTBs

South Africa’s major trade takes place with the partner countries where Preferential Trade Agreements exist. This list of all such agreements is provided at Section 2 (i) of this document. For partner countries, the agreements provide for duty and tax reduction but



the in case of Non-Tariff Barriers, same rules and regulations are applicable on partner countries as well.

d. Paying VAT on Imports

VAT is levied at 15% on the supply of all goods and services by VAT vendors (certain supplies are zero-rated). The quoted or displayed price of goods and services must be VAT-inclusive. A person who supplies goods or services is liable to register for VAT, if the income earned is more than R1 million in a 12-month period, or when there is a reasonable expectation that the income will exceed this amount. A person can also register voluntarily for VAT, if the income earned from supplying goods or services for 12 months exceeded R50 000.

- i. **VAT on Imports:-** VAT rate in South Africa is 15%. To calculate VAT on imported goods, the Customs (Import duty) paid value is determined first, and then VAT @ 15% is calculated on it. A 10% mark-up on the customs value is applicable when goods are imported from a country outside the Southern Africa Customs Union. Therefore, if goods have their origin in any of the BLNS countries (Botswana, Lesotho, Namibia or Swaziland), the 10% will not be added to the calculation.
- ii. **Luxury Item VAT:-** A 15% markup in form of Luxury Item VAT is also imposed on luxury or non-essential goods imported into South Africa.

e. Technical Barriers to Trade

- South Africa has about 5000 national standards, including about 60 mandatory standards mainly involving electrical and electronic equipments and components, motor vehicles and their spare parts as well as food.
- Agricultural Produce Standards Act amended in 1998 is South Africa's main legislation on standards for agricultural products. South Africa Customs and South Africa Bureau of Standards (SABS) have signed a cooperation agreement to impose a very strict control on its import and export, so exports to South Africa must pass their tests.
- The production and import of electrical and electronic equipments and components must obtain Letter of Authorization (LOA) and be tested by Bureau of Standards of South Africa.
- China and South Africa signed an agreement on the mutual recognition of testing results in 2004. South Africa implements strict labelling requirements on clothing, footwear and textile industry. According to the requirements of Department of Trade and Industry of South Africa, before textile products, clothing and footwear are approved to be imported to and sold in South Africa, they must be labelled as follows: (1) giving a clear indication of country name, manufacturers' register numbers and/or importers register numbers as well as the degree of processing; (2) being in line with the indication standards for textiles and clothing (SANS 011)

and the indication standards for artificial and natural fibres; (3) specifying the components of raw materials by weight or by quantity, and their respective proportions; (4) describing if the products have been reprocessed; (5) indicating the name and the weight or the proportion of components in the order of ranking or size, if the finished fibre products which are made through extrusion are made of two or more components that can be resolved by chemical methods; (6) indicating the proportions of the manual labour and raw materials.

- South Africa makes specific regulations on food labelling and outside packaging by making a list of alleged “Non-basic Food”, demanding that the food on the list should not be fortified with vitamin or minerals and mark a fortified food statement. South Africa does not offer reasons and criterion for making this list.

#### f. Export Restrictions

In order to develop its economy and improve its employment rate, South Africa levies a 5% export tax on rough diamond. In the meantime, it also imposes export taxes on certain agricultural products. For instance, citrus is levied an export tax of R 0.0213 /K.

#### g. Foreign Investment

Although South Africa has been promoting investment liberalization, there remain two restrictions in the field of foreign investment: (1) the requirement of the local minimum capital is stipulated for investment banks and insurance companies; (2) restriction is imposed upon the enterprise which is not operated by or in which over 75% (including 75%) of shares are not held by South African citizens. In addition, the branches of foreign banks to be set up in South Africa are required to employ a certain proportion of local residents in order to obtain banks’ business license. A foreign company must be registered in South Africa as a "foreign company" before being allowed to register its fixed assets under its name.

Investment Protection Act 2015 regulates investments in SA, link given below;

[https://www.thedti.gov.za/business\\_regulation/acts/Investment\\_Act\\_22of2015.pdf](https://www.thedti.gov.za/business_regulation/acts/Investment_Act_22of2015.pdf)

## 5. IMPORT PROCEDURES AND TARIFFS

### a. Duties and Taxes in South Africa

South Africa has a residence based income tax system. Residents are, subject to certain exclusions, taxed on their worldwide income, irrespective of where their income was earned. Non-residents are taxed on their income from a South African source. The liability of taxpayers is determined subject to the provisions of International Agreements for the Avoidance of Double Taxation. Tax is levied on taxable income, which is calculated as gross income, less exemptions and permissible deductions, plus the applicable percentage of the net capital gain, for the year. The main tax revenue sources are income tax (individuals, trusts and companies), value-added tax (VAT) and customs and excise duties. Relief is often

available from any consumption-based tax when the goods are exported under certain terms and conditions.

- i. **Customs duty / Import Duty.** Customs duty is a tax levied on imports by the customs unit within SARS. Customs duty rates and trade remedies relating to the importation of goods into South Africa are set by the International Trade Administration Commission under the authority of the Department of Trade and Industry (the DTI). The new Customs Control Act of 2014 and Customs Duty Act of 2014 provide a platform for the modernisation of customs administration that achieves a balance between effective customs control, the secure movement of goods and people into and from South Africa and the facilitation of trade and tourism. In addition, VAT is also collected on goods imported and cleared for home consumption.

South Africa is operating in a protective regime where huge duties and taxes are imposed. Import duty is imposed on the goods imported in line with the rates given in the Tariff. The duty varies from 0% to 45% with average rate of duty of 18.45%. The tariff is divided in following segments:-

- Tariff gives the normal customs duties as defined in the Schedule No 1, Part 1.. The complete Tariff is available at <http://www.sars.gov.za/AllDocs/LegalDoclib/SCEA1964/LAPD-LPrim-Tariff-2012-04%20-%20Schedule%20No%201%20Part%201%20Chapters%201%20to%2099.pdf>
- Excise duties are given in the Schedule No 1, Part 2A. Complete schedule of Excise Duties is available at <http://www.sars.gov.za/AllDocs/LegalDoclib/SCEA1964/LAPD-LPrim-Tariff-2012-05%20-%20Schedule%20No%201%20Part%202A.pdf>
- Ad valorem duties are given in Schedule No 1, Part 2B. Complete schedule of Ad valorem duties is available at <http://www.sars.gov.za/AllDocs/LegalDoclib/SCEA1964/LAPD-LPrim-Tariff-2012-06%20-%20Schedule%20No%201%20Part%202B.pdf>
- Environmental Levy are given in Schedule 1, Part 3, which is further divided into three parts:-
  - Levy on Plastic bags. Schedule is available at <http://www.sars.gov.za/AllDocs/LegalDoclib/SCEA1964/LAPD-LPrim-Tariff-2012-08%20-%20Schedule%20No%201%20Part%203A.pdf>
  - Levy on Electricity generate. Schedule is available at <http://www.sars.gov.za/AllDocs/LegalDoclib/SCEA1964/LAPD-LPrim-Tariff-2012-09%20-%20Schedule%20No%201%20Part%203B.pdf>
  - Levy on Electric Filament Lamps. Schedule is available at <http://www.sars.gov.za/AllDocs/LegalDoclib/SCEA1964/LAPD-LPrim-Tariff-2012-10%20-%20Schedule%20No%201%20Part%203C.pdf>

- Levy on Carbon Dioxide (CO<sub>2</sub>) Emissions of Motor Vehicles. Schedule is available at <http://www.sars.gov.za/AllDocs/LegalDoclib/SCEA1964/LAPD-LPrim-Tariff-2012-11%20-%20Schedule%20No%201%20Part%203D.pdf>
- Levy on Tyres. Schedule is available at <http://www.sars.gov.za/AllDocs/LegalDoclib/SCEA1964/LAPD-LPrim-Tariff-2012-11a%20-%20Schedule%20No%201%20Part%203E.pdf>
- Anti-dumping and countervailing duties are given in Schedule No 2, Part 1. Schedule is available at <http://www.sars.gov.za/AllDocs/LegalDoclib/SCEA1964/LAPD-LPrim-Tariff-2012-15%20-%20Schedule%20No%202.pdf>

The above schedules of duty and taxes are also available on the following website:-

<http://www.sars.gov.za/Legal/Primary-Legislation/Pages/Schedules-to-the-Customs-and-Excise-Act.aspx>

- ii. **Company Income Tax.** Companies are subject to a flat tax rate, which is 28% of taxable income. Exceptions to the rule are the lower, progressive tax rates that apply to small and micro businesses, as well as the reduced rate that applies to companies operating in designated Special Economic Zones.
- iii. **Value-Added Tax.** VAT is levied at 15% on the supply of all goods and services by VAT vendors (certain supplies are zero-rated). The quoted or displayed price of goods and services must be VAT-inclusive. A person who supplies goods or services is liable to register for VAT, if the income earned is more than R1 million in a 12-month period, or when there is a reasonable expectation that the income will exceed this amount. A person can also register voluntarily for VAT, if the income earned from supplying goods or services for 12 months exceeded R50 000.
  - a) **VAT on Imports:-** VAT rate in South Africa is 15%. To calculate VAT on imported goods, the Customs (Import duty) paid value is determined first, and then VAT @ 15% is calculated on it. A 10% mark-up on the customs value is applicable when goods are imported from a country outside the Southern Africa Customs Union. Therefore, if goods have their origin in any of the BLNS countries (Botswana, Lesotho, Namibia or Swaziland), the 10% will not be added to the calculation.
  - b) **Luxury Item VAT:-** A 15% markup in form of Luxury Item VAT is also imposed on **luxury** or non-essential goods imported into South Africa.
- iv. **Personal Income Tax (PIT).** PIT mainly focuses on the taxation of an individual's income. The main contributor to PIT is employment income from salary earners, and income generated from sole-proprietor activities. The tax rate applicable to PIT-related taxable income is progressive, ranging from marginal rates of 18% to 41%. As a means of collecting income tax from salary and wage income, a mechanism known as Pay-As-You-

Earn is in operation that enables employers to withhold tax due to SARS from employees and pay this over to SARS on a monthly basis, and reconciled biannually.

- v. **Excise duty.** Excise duty is levied on certain locally manufactured goods and their imported equivalents, such as tobacco and liquor products, and as an ad valorem duty on cosmetics, audio-visual equipment and motor cars.
- vi. **Environmental levy.** Four main areas of levies in this category are plastic bags levy, electricity generation levy, electric filament levy and motor vehicle carbon dioxide emission levy.
- vii. **Fuel levy.** The fuel levy is a consumption-based levy that is levied on petroleum products that are imported or manufactured in South Africa.
- viii. **Transfer duty.** Transfer duty is payable on the acquisition of property. Property costing less than R750,000 attracts no duty. A 3% rate applies to properties costing between R750,001 and R1.25 million. In respect of property with a value between R1.25 million and R1.75 million, the duty is R15,000 plus 6% of the value above R1,25 million. In respect of property above R1.75 million, the duty is R45,000 plus a rate of 8% of the value exceeding R1.75 million. For property above R2.25 million, the duty is R85,000 plus a rate of 11% of the value exceeding R2.25 million. For a property above R10 million, the duty is R937,500 plus 13% of the value exceeding R10 million.
- ix. **Estate duty.** Estate duty is levied at a flat rate of 20% on residents' property and non-residents' South African property. A basic deduction of R3.5 million is allowed in the determination of an estate's liability for estate duty, as well as deductions for liabilities, bequests to public benefit organisations and property accruing to a surviving spouse.
- x. **Dividends tax.** Dividends tax is a final tax at a rate of 15% on dividends paid by resident companies and by non-resident companies in respect of shares listed on the JSE. Dividends are tax exempt if the beneficial owner of the dividend is a South African company, retirement fund or other exempt person. Non-resident beneficial owners of dividends may benefit from reduced tax rates in limited circumstances. The tax is to be withheld by companies paying the taxable dividends or by regulated intermediaries in the case of dividends on listed shares. The tax on dividends in kind (other than in cash) is payable and is borne by the company that declares and pays the dividend.
- xi. **Securities transfer tax.** Securities transfer tax is levied at a rate of 0.25% on the transfer of listed or unlisted securities. Securities consist of shares in companies or members' interests in close corporations.
- xii. **Skills-development levy.** Affected employers contribute to a Skills Development Fund that is used for employee training and skills development. This skills development levy is payable by employers at a rate of 1% of the total remuneration paid to employees.

Employers paying annual remuneration of less than R500 000 are exempt from the payment of this levy.

- xiii. **Unemployment Insurance Fund (UIF).** The UIF insures employees against the loss of earnings due to termination of employment, illness or maternity leave. The contribution to the UIF is shared equally by affected employers and employees at a rate of 1% of remuneration. The employee share of 1% is withheld by the employer and paid to SARS, together with the employer share of 1%, monthly.
- xiv. **Tax on international air travel.** This tax is levied as follows: R190 per passenger departing on an international flight, excluding flights to Botswana, Lesotho, Namibia and Swaziland, in which case the tax is R100.
- xv. **Rates on property.** Property-related taxes include municipal rates and charges for refuse and sewerage, which are collected by municipalities.

#### b. Deferment of Customs Duty and VAT

Customs duties and VAT are payable in accordance with Section 39(1)(b) at the time of importation. However, payment may be deferred for up to thirty (30) days on a deferment account. No duties and levies on locally manufactured goods may be deferred under this arrangement. Only Customs clients registered in terms of Section 59A can utilise the deferment arrangement.

Applications for a deferment account are made in terms of SC-CF-19. On the application form, the client lists all offices that they wish to make use of and select the respective payment dates at each of these offices, which can be from the first to the twenty-eighth of each month. This will be the agreed payment date. The agreed payment date will remain fixed every month, for as long as the client participates in the deferment arrangement. Customs reserves the right to alter such a date to ensure even distribution of the workload. This will be done prior to the client partaking in the deferment arrangement and must be approved by the client.

If a clearing agent or broker utilises the deferment account of an importer they need to obtain a power of attorney and provide Customs with a copy of such. The original must be kept by the client and produced to Customs when requested to do so. If the deferment limit in any deferment period has been exceeded the client will not be able to defer any more duties or VAT for the remainder of that period. All further duties or VAT must be paid immediately on e-Filing or by any alternative Customs payment method in the event that e-Filing is not available, until such time the client either increases the deferment limit or settles the account in full or in part.

The deferment level is set at a maximum amount sufficient to cover all deferred charges that are likely to occur in any given period at the time the applicant joins the deferment

arrangement. For peak periods, the client can request an increase in the deferment limit for a specific period. An additional bond might be required. Once the specified deferment period in which the increase has been granted expires the increase will be removed and the deferment limit will revert to the original deferment limit amount. Clients must have access to e-Filing to view the account.

Where e-Filing is not available, the Branch Office or Customs Compliance Centre (CCC) will assist the client by obtaining the account or transaction information from service manager. During the deferment period the Interim account must be closely monitored and prompt corrective action taken to increase the deferment limit when required to do so or correct any incorrect information on the account. Clients are allowed to make partial payments on the deferment account.

c. Demurrage & Detention Charges

Demurrages and Detention charges vary for every shipping line, however, generally 5 to 7 free days are allowed by shipping lines for dry cargo. The general charges payable on import are:-

- Container cleaning fee is a contribution towards the cost of cleaning all import containers that are turned-in. This varies from ZAR 75 to ZAR 165. Additional fee of ZAR 250 is also applicable in case of hazardous cargo.
- Import service fee: The import service fee covers the handling of the equipment on behalf of the Line, and includes the turn-in and offloading of empty containers at the depot. This varies from ZAR 300 to ZAR 450.
- Destination documentation fee: The destination documentation fee covers the costs associated with creation and processing of destination documentation such as arrival notifications; standard invoices (not including detention and demurrage invoices) and the acceptance and handling of release documents. This is ZAR 250.
- Destination Handling Charge: This charge is associated with the costs of loading containers. We pay South Africa Ports Authority to load the containers and this is not covered by the freight rate. This varies from ZAR 1000 to ZAR 3000.
- Port Additional/Port dues: Charges associated for port additional or when Carrier is collecting port dues from the customer on behalf of the port. This varies from ZAR 2000 to 4000 per container.
- Container Terminal Order: This charge covers the cost of producing a container terminal order document for cross border, inland movement of cargo in South Africa, Botswana, Lesotho and Swaziland. This is ZAR 250.
- Other optional charges such as inland cancellation fee, rail cancellation fee, certificate issuing fee, over-border certificate, pick-up/drop-off destination change fees, Electronic cargo release fee, cross booking fee, change of destination, manual documentation fee, cargo declaration amendment fee, submission of cargo declaration data, switch transport document etc.
- Demurrage charges start from ZAR 100 and goes up to ZAR 3500 per day per container.



- Detention charges start from US\$ 30 per day per container and goes up to US\$ 130 per day per container.

d. Relief on Import for Export or Re-Export

- Schedule 3 provides for industrial rebates of Customs Duty on the imported goods specified in the schedule subject to the provisions of section 75 of the Customs Act, which are imported for use in connection with the production or manufacture of goods in the industries specified in schedule to the extent stated in the Schedule. The schedule of industrial rebate is available at the following url:-  
<http://www.sars.gov.za/AllDocs/LegalDoclib/SCEA1964/LAPD-LPrim-Tariff-2012-16%20-%20Schedule%20No%203.pdf>
- General Rebate of customs duty and fuel levy is allowed on specific goods, subject to the provisions of Section 75 of the Act, which are imported for home consumption in accordance to the specific use given in Schedule 4 and to the extent specified in the schedule. This schedule also provides for the rates of temporary rebates of customs duty, rates of rebate on goods temporarily imported for processing, repair, cleaning, reconditioning or for manufacture of goods exclusively for exports. This schedule also provides the rates of rebates of environmental levy and rates of rebates for good imported for use in customs controlled area as contemplated in section 21A of the Act. This schedule of general rebate is available at the following url:-  
<http://www.sars.gov.za/AllDocs/LegalDoclib/SCEA1964/LAPD-LPrim-Tariff-2012-17%20-%20Schedule%20No%204.pdf>
- Schedule 5 provides for specific drawbacks and refunds of customs duties and fuel levy on the specified goods specified subject to fulfilment of certain conditions. The schedule also specifies the drawbacks and refunds of environmental levy on imported goods and rates of miscellaneous refunds of customs duties and fuel levy. This schedule is available at the following url:-  
<http://www.sars.gov.za/AllDocs/LegalDoclib/SCEA1964/LAPD-LPrim-Tariff-2012-18%20-%20Schedule%20No%205.pdf>
- Rates of rebates and refunds of excise duties, fuel levy, road accident fund levy and environmental levy are provided in Schedule 6. This schedule is available at the following url:-  
<http://www.sars.gov.za/AllDocs/LegalDoclib/SCEA1964/LAPD-LPrim-Tariff-2012-19%20-%20Schedule%20No%206.pdf>

e. Temporary Importation

Schedule 4, as stated above, provides for the rates of rebate on goods temporarily imported for processing, repair, cleaning, reconditioning or for manufacture of goods exclusively for exports. Goods temporarily imported into South Africa for processing,



repair, reconditioning or cleaning, and which are then subsequently exported, also qualify for an exemption from Value-Added Tax. The exemption is specifically provided for in section 13(3) of the Value-Added Tax Act, No 89 of 1991. The goods which qualify for the VAT exemption are listed in Schedule 1 to the VAT Act.

Although the VAT Act specifically exempts from VAT the importation of goods for processing in South Africa for export, the exemption is rarely applied in practice. This is because the provisions of the Customs and Excise Act, No 91 of 1964 apply in respect of the importation of goods into South Africa as if the Customs Act is enacted in the VAT Act (section 13(6) of the VAT Act refers).

In terms of the SARS Customs procedures, the customs officials need to carry out a physical inspection of the goods when they are entered as temporary imports, and when the goods are exported, a physical inspection is carried out again to ensure that the goods that are exported are the same goods that were imported. If the customs officials cannot satisfy themselves that it is the same goods that are imported and exported, then VAT and duty (if applicable) becomes payable, or the importer simply forfeits the security payment that is required when the goods are cleared as temporary imports.

In many instances the goods exported are totally different from the goods being imported. For example, tons of material can be imported for refining or processing in South Africa and the processed product which is exported is totally different from the product imported, in quantity or quality. The same applies, for example, to rough diamonds imported for cutting and polishing in South Africa and the polished diamonds are then exported. In these circumstances SARS customs does not allow the goods to be imported exempt from VAT as they state that they cannot identify the goods exported by way of a physical inspection as being the same goods that were imported. If the goods are imported exempt from VAT, the importer will be held liable for the VAT when he cannot prove to the satisfaction of the customs officials that the goods have been exported.

The result of these customs procedures is that even though the VAT Act specifically provides for the exemption from VAT when the goods are imported for processing in South Africa, the importer still ends up paying the VAT. The South African mining and manufacturing concerns that are affected by these procedures find it very difficult to compete with foreign competitors who are not subjected to similar procedures.

The procedure of VAT claim is also cumbersome where in certain cases the foreign entity is also required to get registered with SARS. SARS only allows VAT refunds to the owner of the goods, which the processing entity in South Africa cannot claim, therefore, making it even more difficult to practically claim the VAT exemption.

f. **Technical Standards and Labelling & Packaging Requirements**

The National Regulator for Compulsory Specifications ( NRCS) Food and Allied Industries Department is recognized throughout the world as a leader in food safety, and has been appointed as the certification body for export of frozen marine products to the EU. FAI is audited regularly by EU authorities and fully meets its requirements.

Complete detail of all compulsory specifications and other conditions that are required to be met for any good to be imported or supplied in South Africa is available at the given url:- <http://www.nrccs.org.za/>

The labelling and packaging requirements have become very stringent in South Africa over the past few years. Below is a brief summary of some of the regulations pertaining to the labelling and advertising of food in South Africa, and the mandatory information that should be included:

- Name and address of the manufacturer or importer or distributor.
- Instructions for use.
- Net contents.
- Country of origin.
- Batch identification.
- Use by date.
- Nutrient analysis: This must be in table form per 100g of product as eaten (or if not, clearly stating per 100g of dry product) or per 100ml for liquids.
- Per portion nutrient analysis is voluntary, if no nutritional claims are made.
- Ingredients must be listed in order of descending mass (not volume). The ingredient weighing the most will be listed first and the ingredient weighing the least will be listed last.
- All allergens must be identified in the prescribed format.

g. **Import requirements for food products and pharmaceuticals**

a. **Fruits, Vegetables and Animal Related Products.**

South Africa has very stringent import related regulations for Fruits, Vegetables and Animal related products. Before import of Agricultural products in South Africa, the exporter & importer has to comply with the Phytosanitary import conditions that apply to the commodity to be imported by consulting the Agricultural Pests Act, 1983 or the National Plant Protection Organisation of South Africa (NPPOZA) within the Department of Agriculture, Forestry and Fisheries (DAFF). The importer has to apply for an import permit from the DAFF if the commodity to be imported is not exempted from an import permit in terms of the Act referred to above. If the commodity to be imported is exempted from an import permit, it only needs to ensure compliance with Phytosanitary measures for such exemption.

The importer, while applying for an import permit, has to submit the completed application form together with proof of payment, the tariff information and all details

about the exporter on the application form. The exporter needs to complete all certifications and paperwork necessary for the compliance with the Phytosanitary requirements of South Africa. Once the goods are imported, it is detained by SARS (South Africa Revenue Services) for inspection.

b. **Animal and Animal Related Products**

For import of animals and animal related products, South Africa has stringent policies and procedures. If someone wants to import live animals, animal products, infectious or contagious things into the Republic of South Africa, he must apply for and be granted a veterinary import permit from the Directorate of Animal Health. He must obtain this permit before the animal or product is shipped from the exporting country. If someone is importing live farm animals such as cattle, sheep, goats, horses, pigs, ostriches, poultry (not cats and dogs) or the genetic material of these animals, he must get authorisation from the Registrar of Animal Improvement before a veterinary import permit can be issued.

c. **Fish**

In case of import of fish, such as marine fish, the importer needs to apply for a permit from the Department of Agriculture, Forestry and Fisheries. South Africa currently does not allow import of Abalone and certain rock lobster species. South Africa only allows for import of frozen whole crab (or pieces) weighing 600 g or more each and no more than 25 tons may be imported annually, while live crab's import is not permitted. Fresh water fish can be imported without any permit.

d. **Fresh (Raw) Meat (including offal)**

For import of fresh (raw) meat (including offal) into the Republic of South Africa, or to move such meat in transit through the country, legislation requires importer to apply for and be granted a veterinary import permit or transit permit from the Directorate of Animal Health. This permit must be obtained before the consignment leaves the exporting country. Veterinary import permits are valid for a limited period and for one consignment only. Imports via third countries are generally not accepted. The Director of Animal Health of South Africa also issues veterinary import or transit permits for fresh (raw) meat for countries where it has evaluated and approved the veterinary services and animal health status. There are import protocols in place that are specific to individual countries based on the products and the animal health situation there.

In terms of the Meat Safety Act, 2000 frozen and chilled meat may only be imported from abattoirs, cutting and meat preparation plants that have been approved by the National Executive Officer of South Africa. Meat consignments imported from overseas via the sea route may only be imported in reefer containers. No break bulk consignments are accepted. Fresh (raw) meat may only be imported if chilled or frozen at the temperatures stipulated in the veterinary import permit. Similar conditions are in place for processed meat as well.

e. **Chemicals**

To import certain chemicals into South Africa, permission from the International Trade Administration Commission (ITAC) is required. The importation of certain chemicals is subject to import control measures in terms of the provision of the International Trade Administration Act, 2002. Chemicals are controlled to comply with the provisions of the Montreal Protocol and the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances.

These are international efforts to protect the ozone layer and fight international drug dealing respectively. When a permit is applied to import these chemicals, one must get a recommendation letter from the South African Police Service (SAPS) or from the Department of Environmental Affairs. It may take up to three days for an import permit to be granted. ITAC does not charge any service fees but one has to pay customs duty at SARS.

f. **Controlled goods, used goods, second-hand goods, waste or scrap**

If one has to bring in controlled goods, used goods, second-hand goods, waste or scrap into the country, it has to first need register as an importer with the South African Revenue Service (SARS) and then apply to the International Trade Administration Commission (ITAC) for an import permit. An import permit ensures that the goods being imported conform to the safety, quality, environmental and health requirements of the country, and with the provisions of international agreements.

Import permits also help to control the inflow of goods of a strategic nature or smuggled goods. The policy that applies to the importation of goods differs from one sector to another. Most new goods are exempt from import control measures. Not all goods are subject to import control. However, all used goods, second-hand goods, waste and scrap are subject to import control measures. In most instances import permits are issued within five working days. ITAC does not charge service fees but you will have to pay customs duty to SARS.

g. **Vaccines for use in animals**

One can only import, distribute or sell vaccines for use in animals in South Africa once they have been registered in terms of the Fertilizers, Farms Feeds, Agricultural Remedies and Stock Remedies Act, 1947 (Act 36 of 1947). In case of import of a registered vaccine, importer must get the veterinary import permit from the Directorate of Animal Health. This import permit is valid for a limited period and for one consignment only. There are veterinary import protocols in place. In case of import of an unregistered vaccine for a trial in South Africa, two permits are required. One permit must be obtained from the Registrar of Act 36 of 1947 and the other from the Directorate of Animal Health.

h. **Cosmetic products**

For import of Cosmetic products, regulation governing general goods is applicable where import permit is required. The Importer must also certify the ingredients of the products to identify the products which are harmful for consumers as per the International standards. Cosmetic oral hygiene products and cosmetic hair dyes also attract same policy. The regulation has a list of substances, preservatives and colouring agents which must not be contained in the cosmetic products.

The Cosmetics Compendium of the Cosmetics, Toiletries and Fragrance Association of South Africa (CTFA) contains all the regulations in this respect. South Africa normally follows the European Standards as it is one of the major export destinations of South Africa in this category.

The Foodstuffs, Cosmetics and Disinfectants Act, 1972. This act controls the sale, manufacture, importation and exportation of cosmetics along with foodstuffs and disinfectants. Fragrance, cosmetic or toiletry products that claim medicinal ingredients need to be registered with South Africa's Medicines Control Council. New legislation affecting the sector is the Consumer Protection Act, which has sections relating to the quality of products in the market; consumer safety, marketing and communication to suppliers and customers (including labelling, advertising and promotions); and agreements (terms and conditions).

South Africa became the 12<sup>th</sup> signatory to the Nagoya Protocol in February 2013. The agreement regulates and facilitates "access to and the utilisation of the indigenous fauna and flora of a country as well as their associated traditional knowledge." Animal testing of cosmetic products and their ingredients was banned completely within the European Union in March 2013.

i. **Active Pharmaceutical Ingredients, Diagnostic Kits and Pharmaceutical products**

For import of Active Pharmaceutical Ingredients, Diagnostic Kits and Pharmaceutical products, stringent process requires that the goods meet international standards. The importer requires permit from DAFF for import of APIs and Pharmaceutical products and comply to Drug Regulations.

Application for a permit to import drugs and/or psychotropic substances in terms of the Medicines and Related Substances Act, 1965, the single convention on narcotic drugs, 1961, and the convention on psychotropic substances, 1971; regulation 20(4) and 20(7)(s) has to be made to the Registrar of Medicine. Medicine (excluding sufficient quantities for one month for own personal treatment accompanied by a letter or certified prescription from a registered physician) can only be imported if there is a permit/license issued by the Director-General of National Health and Population Development.

j. **Complementary medicine**

Complementary medicine in South Africa includes a wide range of therapies ranging from traditional practices that have only recently been regulated, to widely accepted alternative therapies that are recognised by some medical aids in South Africa. Professional councils regulate and monitor complementary health products in South Africa.

k. **Medical supplies**

As a once-off situation, one would probably be allowed to enter the country with medical supplies providing one has the correct paperwork and a commercial invoice. As it is not clear what type of products one intend to import, one would have to contact the Medicines Control Council of South Africa (MCC) and establish if one is permitted to import these products.

## **6. & 7 COMPETITOR ANALYSIS IN TOP TEN EXPORT CATEGORIES IN PAKISTAN TO THE HOST COUNTRY MARKET AND SUGGESTED STRATEGIES TO ENTER MARKET**

South Africa is a large consumer market with a population of over 55 million. The added advantage of exporting goods to South Africa is that it is the gateway to over 15 other African countries which have huge reliance of the goods flowing into those economies from South Africa. Details about the potential in the sector, tariff rates in south Africa and the competitors already exporting south Africa in that sector are discussed below.

### **I. LIGHT ENGINEERING GOODS (FANS. ELECTRIC PUMPS)**

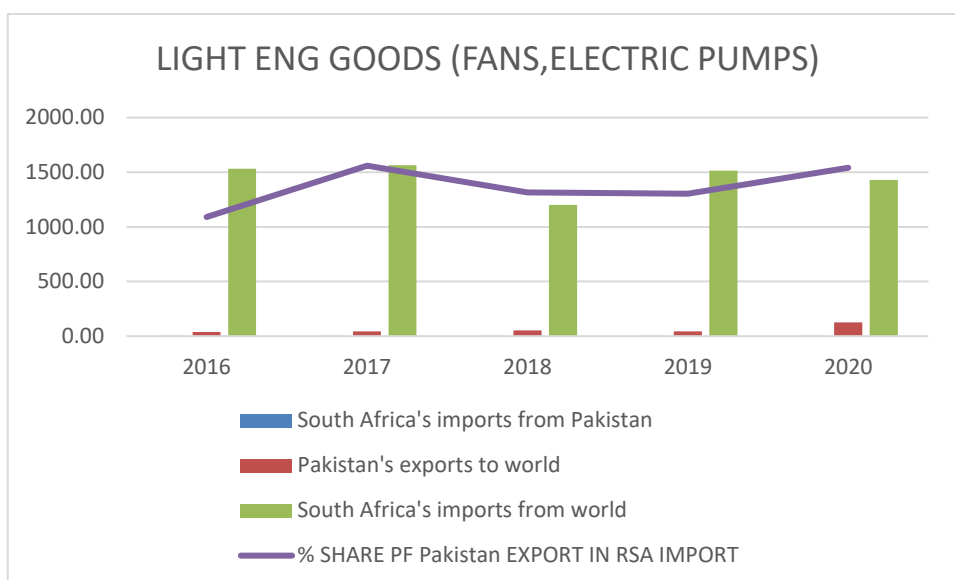
The table below shows that South Africa import of light engineering items (fans, pumps) has been US\$ 1.5 billion in 2016 and 2017 but it declined to US\$ 1.2 billion in 2018 and rise gain in 2019 to US\$ 1.5 billion.

Pakistan exports light engineering goods especially fans to South Africa worth US\$ 0,33 million in 2016 which has seen a slight rise in 2020 to US\$ 0,44 million.

<b>US\$ MILLION</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
SOUTH AFRICA'S IMPORTS FROM PAKISTAN	0,33	0,49	0,32	0,40	0,44
PAKISTAN'S EXPORTS TO WORLD	39,119	43,394	53,281	44,892	126,988
SOUTH AFRICA'S IMPORTS FROM WORLD	1531,39	1564,09	1201,35	1513,62	1429,96
% SHARE OF PAKISTAN EXPORT IN RSA IMPORT	0,022%	0,031%	0,026%	0,026%	0,031%

However, percentage share of Pakistan in overall import of light engineering goods basket of south Africa is less than 1 %, in fact, it is around US\$ 0,031 % in 2020.

There is great potential in this sector for Pakistani fans and electric pumps manufacturers. This sector does not need any market access or import permit. The importer has to get certificate from South Africa Bureau of Standard (SABS).



Above the graphical presentation of the data given in the table above. The blue bar is the share of Pakistan light engineering goods to south Africa and it is so negligibly small that it did not appear on the data scale.

HS CODE	PRODUCT LABEL	DUTIES IN SOUTH AFRICA	COMPETITIVE
841459	Fans (excluding table, floor, wall, window, ceiling or roof fans, with a self-contained electric ...	0	China, Germany, USA
841451	Table, floor, wall, window, ceiling or roof fans, with a self-contained electric motor of an ...	5	China, Spain, India
841370	Centrifugal pumps, power-driven (excluding those of subheading 8413.11 and 8413.19, fuel, lubricating ...	0	China, Italy, USA
841319	Pumps for liquids, fitted or designed to be fitted with a measuring device (excluding pumps ...	0	Poland, USA, China
841350	Reciprocating positive displacement pumps for liquids, power-driven (excluding those of subheading	0	Germany, USA, Italy
841360	Rotary positive displacement pumps for liquids, power-driven (excluding those of subheading ...	0	USA, Germany, Italy

841381	Pumps for liquids, power-driven (excluding those of subheading 8413.11 and 8413.19, fuel, lubricating ...	0	China, Italy, Germany
841391	Parts of pumps for liquids, n.e.s.	0	China, USA , Germany
8502	Electric generating sets and rotary converters	20	Spain, China, Italy
8503	Parts suitable for use solely or principally with electric motors and generators, electric ...	0	China, Germany, Italy
8504	Electrical transformers, static converters, e.g. rectifiers, and inductors; parts thereof	10	China, Germany, Italy
8501	Electric motors and generators (excluding generating sets)	0	China, USA, Brazil

Table above shows the related tariff lines, duties on them in the south African market and the top three suppliers in each tariff line. China is the top supplier, followed by USA and Germany. Almost all the tariff lines have zero MFN duty on them except for table fan (841451), Electric generating sets and rotary converters (20%) and Electrical transformers, static converters (10).

#### RECOMMENDED MARKETING STRATEGY:

- I. Participation in relevant exhibition. In South Africa SAITEX, SECURE and A-OSH are the relevant exhibitions. Another recommended event is **Pumps, Valves & Pipes Africa is a yearly international trade fair** and exhibition event dedicated to pumps, valve, and pipe engineering industries in Africa engaging in liquids, gases, and slurries conveyance and is organized by DMG Events Africa. This trade fair exhibition scheduled to hold on 28th - 30th June 2022 at Gallagher Convention Centre, Johannesburg, South Africa is co-located with African Construction Expo and Totally Concrete Expo.
- II. B2B connectivity is recommended.
- III. Delegation preparation is recommended. Sectoral visits from concerned associations or chambers will prove beneficial.
- IV. Webinars on the subject . This trade wing has already organized webinars on fans and light engineering goods webinars for South African markets.

## II. SPORTS GOODS

The table below shows the potential of export of sports goods from Pakistan to south Africa.

Data shows that South Africa import of sports goods from the world is US\$ 428 million in 2016 which is almost half a billion dollar, which declined a bit in 2020 due to COVID-19.

However, Pakistan also exports some sports goods to south Africa and that has been US\$ 3,6 million in 2016 , US\$ 4,5 million in 2017 and declined to US\$ 2,8 million in 2020. Pakistan share in overall south Africa sports goods import is lesser than 1 % which can be improved.

Government must incentive the sports goods manufacturers to diversity their manufacturing basket and also their export market and focus on African countries.



US\$ MILLION	2016	2017	2018	2019	2020
SOUTH AFRICA'S IMPORTS FROM PAKISTAN	3,6	4,5	4,6	4,4	2,8
PAKISTAN'S EXPORTS TO WORLD	220,8	205,4	218,6	225,0	178,6
SOUTH AFRICA'S IMPORTS FROM WORLD	428,5	460,4	479,4	438,3	306,2
% SHARE OF PAKISTAN EXPORT IN RSA IMPORT	0,845%	0,969%	0,968%	1,015%	0,907%

Below given chart is the graphical presentation of the data given in the table above.



The % share of Pakistani sports goods in south African market is so small that is not even visible on the chart. The decline in the curve shows the dip in export of sports goods in 2020.

PRODUCT CODE	PRODUCT LABEL	TARIFF RATES	COMPETITIVE
9505	Festival, carnival or other entertainment articles, incl. conjuring tricks and novelty jokes, ...	30	China, USA, Indonesia
9507	Fishing rods, fish-hooks and other line fishing tackle n.e.s; fish landing nets, butterfly ...	0	China, USA, Malaysia
9508	Roundabouts, swings, shooting galleries and other fairground amusements; travelling circuses ...	0	China, Poland, Australia

9504	Video game consoles and machines, articles for funfair, table or parlour games, incl. pintables, ...	0	China, USA, Australia
9503	Tricycles, scooters, pedal cars and similar wheeled toys; dolls' carriages; dolls; other toys;	20	China, Vietnam, Czech Republic
9506	Articles and equipment for general physical exercise, gymnastics, athletics, other sports, ...	0	China, USA, Italy

Table above shows the related tariff lines, duties against them on MFN rate and the top three exporters in each tariff line to South Africa. The table shows that China is the biggest supplier of sports goods to South Africa.

#### RECOMMENDED MARKETING STRATEGY:

- I. Participation in relevant exhibition. ALLSPORT EXPO, 9-11 SEP 2022, Exhibition Halls 1-4, CTICC 1, Cape town, SOUTH Africa, is the relevant exhibition for participation.
- II. B2B connectivity is recommended.
- III. Delegation preparation is recommended. Sectoral visits from concerned associations or chambers will prove beneficial.
- IV. Webinars on the subject . This trade wing has already organized webinars on fans and light engineering goods webinars for South African markets.

### III. LEATHER GOODS

Leather goods are another potential export sector for Pakistan in South Africa. South Africa import of leather items US\$ 226,3 million in 2016, whereas import of South Africa from Pakistan has been US\$ 6,2 million. This makes Pakistan share of 2.8% in overall leather import of Pakistan.

US\$ MILLION	2016	2017	2018	2019	2020
SOUTH AFRICA'S IMPORTS FROM PAKISTAN	6,232	5,672	4,836	5,431	4,807
PAKISTAN'S EXPORTS TO WORLD	644,93	632,929	664,543	634,28	583,422
SOUTH AFRICA'S IMPORTS FROM WORLD	226,366	229,037	252,487	233,652	153,658
% SHARE OF PAKISTAN EXPORT IN RSA IMPORT	2,8%	2,5%	1,9%	2,3%	3,1%

The chart below has been developed based on the data on the table given above.



It is important to note that Pakistan global export in leather goods is double than the South African imports but Pakistan's export to south Africa is very small.

PRODUCT CODE	PRODUCT LABEL	TARIFF IN RSA %	COMPETITORS IN RSA
4206	Articles of gut, goldbeater's skin, bladders or tendons (excluding silkworm gut, sterile catgut, ...	15	Belgium, China, Hong Kong, Japan
4205	Articles of leather or composition leather (excluding saddlery and harness bags; cases and ...	0	China, India, Croatia
4201	Saddlery and harness for any animal, incl. traces, leads, knee pads, muzzles, saddle cloths, ...	30	China, India, Italy
4202	Trunks, suitcases, vanity cases, executive-cases, briefcases, school satchels, spectacle cases, ...	30	China, Italy, Indonesia
4203	Articles of apparel and clothing accessories, of leather or composition leather (excluding .../GLOVES FOR SPORTS	30/10	China, Pakistan, India

Table above shows the related tariff lines, duties against them on MFN rate and the top three exporters in each tariff line to South Africa. China is the biggest supplier of leather items to South African. Pakistan is supplying leather gloves, but the export volume is not encouraging. There is room for Pakistan to increase its supply.

Leather is comparatively a protected sector in South Africa as evident by the duties on the tariff lines, nonetheless, China is also supply on the same MFN rate as offered to Pakistan and the rest of exporters.

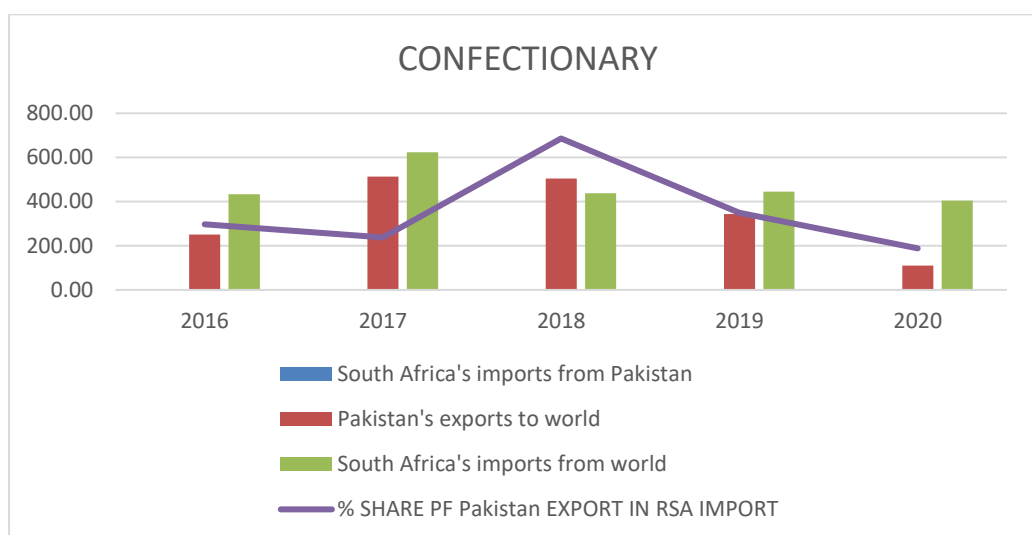
#### IV. CONFECTIONARY GOODS

This is another potential export tariff line to Pakistan. South African global import of confectionary items US\$ 432,7 million in 2016 which increased to US\$ 622 million in 2017 and fall down to US\$ 403 million in 2020.

US\$ MILLION	2016	2017	2018	2019	2020
SOUTH AFRICA'S IMPORTS FROM PAKISTAN	0,48	0,56	1,13	0,59	0,29
PAKISTAN'S EXPORTS TO WORLD	250,787	512,736	503,919	343,688	110,84
SOUTH AFRICA'S IMPORTS FROM WORLD	432,79	622,85	437,80	445,58	403,87
% SHARE OF PAKISTAN EXPORT IN RSA IMPORT	0,112%	0,089%	0,257%	0,131%	0,071%

Pakistan is also exporter of confectionary goods to South Africa but the export volume of Pakistan is very small, that is, US\$ 0,48 million in 2016, US\$ 0,5 million in 2017 and US\$ 0,29 million in 2020.

Pakistan makes below 1 % share of the confectionary import basket of South Africa.



Above given chart has been developed based on the data given in the table above. Charts shows the curvy performance of confectionary goods export from Pakistan to south Africa since 2016 till 2020. Export of confectionary goods increased in 2018 to US\$ 1,13 million and has been on decline ever since.

PRODUCT CODE	PRODUCT LABEL	TARIFF %	COMPETITORS
1704	Sugar confectionery not containing cocoa, incl. white chocolate/chewing gum	25/37	Eswatini, Zambia, Thailand

1702	Other sugars, incl. chemically pure lactose, maltose, glucose and fructose, in solid form; ...	0	Eswatini, China, Germany
1701	Cane or beet sugar and chemically pure sucrose, in solid form	527.75c/KG	Eswatini, Brazil, Zambia
1703	Molasses resulting from the extraction or refining of sugar	0	Mozambique, Zambia, Thailand

Table above shows the related tariff lines, duties against them on MFN rate and the top three exporters in each tariff line to South Africa. Table shows that South Africa regionally source these goods like form Eswatini, Mozambique and Zambia.

It is important to note that Pakistan has huge potential and space to occupy in halal confectionary for the Muslims in south African market.

It is also worthy to mention that currently Marhaba Trading of South Africa has a trade dispute with Ismail Industries. Ismail Industries is not cooperating and responding. Reason being ineffective trade dispute solution mechanism of Pakistan.

#### RECOMMENDED MARKETING STRATEGY:

- I. Participation in relent exhibition. Big Food 7 organized by DMG event is the relevant exhibition for participation.
- II. B2B connectivity is recommended.
- III. Delegation preparation is recommended. Sectoral visits from concerned associations or chambers will prove beneficial.
- IV. Webinars on the subject . This trade wing has already organized webinars on fans and light engineering goods webinars for South African markets.

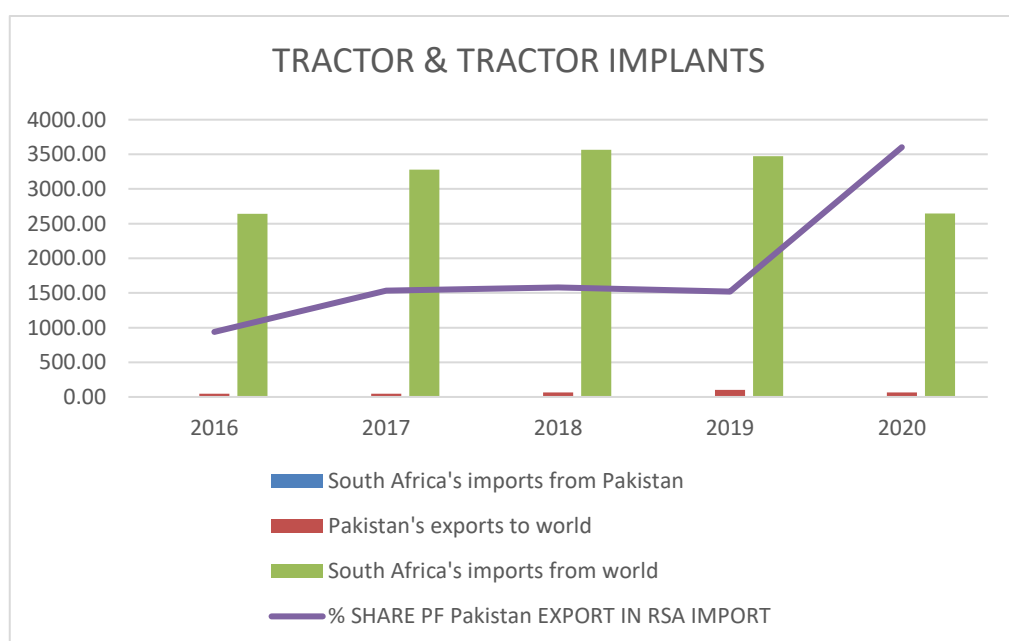
## V. TRACTORS & TRACTOR IMPLANTS

This is also an important sector for Pakistani tractors and tractors implants manufacturers and exporters. Table below shows data that Pakistan exports wee to the tune of US\$ 0,37 million in 2016 and it increased in 2020 to US\$ 1,43 million.

Import of tractors and tractors implants is highly corelated to the weather. If summer receives good weather, then tractors and tractors implants sale increased. South African import in this sector is US\$ 2.6 billion in 2016 which raised to US\$3.2 billion and fall to US\$ 2,6 billion.

US\$ MILLION	2016	2017	2018	2019	2020
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SOUTH AFRICA'S IMPORTS FROM PAKISTAN	0,37	0,76	0,85	0,79	1,43
PAKISTAN'S EXPORTS TO WORLD	46,595	48,036	66,462	100,279	65,016
SOUTH AFRICA'S IMPORTS FROM WORLD	2642,78	3277,34	3566,64	3475,13	2646,39
% SHARE PF PAKISTAN EXPORT IN RSA IMPORT	0,014%	0,023%	0,024%	0,023%	0,054%



Above given chart has been developed based on the data given in the table above. It is evident from the data that Pakistan share of tractors exports to South Africa has recently increased but this has t eb increased further.

PRODUCT CODE	PRODUCT LABEL	TARIFF %	COMPETITORS
8429	Self-propelled bulldozers, angledozers, graders, levellers, scrapers, mechanical shovels, excavators,	0	China, USA, Japan
8430	Moving, grading, levelling, scraping, excavating, tamping, compacting, extracting or boring ...	0	France, USA, Thailand
8433	Harvesting or threshing machinery, incl. straw or fodder balers; grass or hay mowers; machines	20	Germany, USA, China
8435	Presses, crushers and similar machinery used in the manufacture of wine, cider, fruit juices ...	0	Italy, France, Germany

8436	Agricultural, horticultural, forestry, poultry-keeping or bee-keeping machinery, incl. germination	0	China, USA, Germany
8478	Machinery for preparing or making up tobacco, not specified or included elsewhere in this chapter;	0	Malaysia, UK, Italy
8424	Mechanical appliances, whether or not hand-operated, for projecting, dispersing or spraying	0	China, USA, Italy
8437	Machines for cleaning, sorting or grading seed, grain or dried leguminous vegetables; machinery	0	Switzerland, China, USA
8474	Machinery for sorting, screening, separating, washing, crushing, grinding, mixing or kneading	0	China, UK, Germany
8432	Agricultural, horticultural or forestry machinery for soil preparation or cultivation (excluding ...	0	USA, Germany, China
8706	Chassis fitted with engines, for tractors, motor vehicles for the transport of ten or more	26	Canada, Brazil, Japan
8707	Bodies, incl. cabs, for tractors, motor vehicles for the transport of ten or more persons,	25	Italy, Brazil, Japan
8708	Parts and accessories for tractors, motor vehicles for the transport of ten or more persons,	20	Germany, China, USA
8701	Tractors (other than tractors of heading 8709)	20	USA, Germany, Italy

Table above shows the related tariff lines, duties against them on MFN rate and the top three exporters in each tariff line to South Africa. Table shows that China, Germany, USA and Italy are major exporters in this sector. Nonetheless there is major room for affordable and economic tractors in South Africa for small scale farmers.

#### **RECOMMENDED MARKETING STRATEGY:**

- I. Participation in relevant exhibition. (1) Electra Mining Africa 2022 Johannesburg Expo Centre. 5-9 Sep 2022, (2) Trade Shows from Africa Agri Tech (Pty) Ltd , Sun Arena & The Maslow Hotel, 29 Aug.-2 SEP 2022, Pretoria , South Africa and (3) Nampo Harvest Day 2022, Bothaville, Nampo Park, 17 MAY 2022 are relevant exhibitions in South Africa.
- II. B2B connectivity is recommended.
- III. Delegation preparation is recommended. Sectoral visits from concerned associations or chambers will prove beneficial.
- IV. Webinars on the subject . This trade wing has already organized webinars on fans and light engineering goods webinars for South African markets.

## 8. ANY OTHER RECOMMENDATIONS

It is important for someone exporting to South Africa to know about the complete process and formalities that are required to be completed for a successful entry of goods into South Africa.

**Import Process In South Africa:** There is no direct sea or air transportation link between Pakistan and South Africa. The air transport is usually through Dubai, Abudhabi, Qatar, Kuwait, Saudi Arabia or Turkey, while the sea link is through Dubai or India. This adds additional time in reaching South Africa. Flight takes around 8 hours from Dubai to Johannesburg, while sea cargo takes around 21 days from Karachi to Durban, if no other stop over is involved from Dubai or India.

### a. **Goods Classification.**

The first step is to identify the HS code of the goods so that it is correctly classified as per the South African Tariff. As stated earlier, South Africa uses the Harmonized Commodity Description and Coding System, also known as the Harmonized System (HS). This HS system consists of 6 digits codes schedule under which any good is classified. These 6 digits are universal in all countries which have adopted the HS System, therefore leading to standardization in classification. However, some countries use 8 digit code for classification where the first 6 digits are the same as under the HS System but the last 2 digits are used for classifying the goods under the national preferences or statistical needs. South Africa also uses HS System with 8 digits. This 8 digit system increased the tariff lines from 5,300 under the WCO HS System to 6,650 under the National Tariff of South Africa. Each HS code attracts different rates of duties and taxes as specified in Tariff. It is important for any Exporter to South Africa to correctly know the HS code under which the goods will be classified by the importer in South Africa as it has many implications in the Import Process in South Africa. Customs Department is responsible for goods classification. In order to understand the HS Coding system, South Africa Revenue Services have issued a Tariff Classification booklet for the importers. This booklet gives the rules and methods used for classification of a good in any specific classification.

### b. **Import Control.**

It is also important for importer to be in knowledge of other import related rules and regulations include necessity for import control permits, the rules of origin obligations, and the applicability of any customs rebate provisions. Out of 6,650 tariff lines, 276 tariff lines are under Import control and 177 tariff lines are under Export control in South Africa. These tariff lines require meeting specific conditions for importing or exporting these goods. Some of the major product specific information has already been stated in the earlier sections of this document. Import and Export Control measures are applied to enforce health, environmental, security and safety, and technical standards that arise from domestic laws and International Agreements such as the Montreal Protocol on Substances that Deplete the Ozone Layer, the Basel Convention on the Control of Trans-



boundary Movements of Hazardous Wastes and Their Disposal, and the 1988 UN Convention against the Illicit Traffic in Narcotic Drugs and Psychotropic Substances. The import and export control measures or restrictions are limited to those allowed under the relevant World Trade Organization (WTO) Agreements. The section titled “Product Specific Information” provides the requisite detail in respect of a large number of goods.

Import of controlled or used and second-hand personal and individual goods into South Africa requires permission from ITAC in form of Import Permit. Some of the products subject to import control include:

- a) **Radioactive chemical elements.** Control is exercised to assist the Department of Health (radiation control) to control and monitoring the importation of radioactive isotopes and chemical elements for medical and industrial purposes.
- b) **New pneumatic tyres.** Control is exercised to assist the National Regulator for Compulsory Specifications (NRCS) in ensuring that all new pneumatic tyres comply with the safety/quality specification and that tyres have been subjected to a process of homolation.
- c) **Chemicals listed in the 1988 Convention.** Control is exercised to assist SAPS in ensuring that importers/exporters of listed chemicals are recorded and the movements of these chemicals are monitored as required by the Convention.
- d) **Fossil fuels.** Fossil fuels are controlled to assist the Department of Mineral Resources in regulating the industry for purposes of promoting efficient manufacturing, wholesaling and retailing of petroleum products, creating an environment for investment, and creating small business and employment opportunities in the industry.
- e) **Arms and ammunition.** Arms and ammunition is controlled to assist the SAPS with maintaining safety and security.
  - i. **Gambling devices**
  - ii. **Gambling devices are controlled for social reasons and quality. It is also done** to assist the National Gambling Board in the development of the industry with specific reference to manufacturing and Information Technology **and** to ensure compliance with NRCS specifications.
- f) **Used goods**
  - i. **Used electronic equipment.** Used electronic equipment is controlled to assist the Department of Environmental Affairs to address the problem of dumping electronic waste.
  - ii. **Used medical equipment.** Used medical equipment is controlled to assist the Department of Health to address the problem of inferior quality used medical equipment being imported, such as used x-ray machines.

- iii. **Used aircraft.** The importation of used aircraft is controlled to assist the Civil Aviation Authority and ensuring that the requirements of airworthiness have been complied with.
- iv. **Waste and scrap.** Waste and scrap is controlled as the generation of waste and scrap exceeds recycling programmes resulting in many developed countries paying developing countries for receiving waste and scrap for purpose of landfill. In many instances the importation of waste and scrap is allowed as a raw material for manufacturing purposes such as waste paper, glass, rubber and lead. In all these instances, the provisions of the Basel Convention must be complied with.

Further, the Import and Export Control Measures are highlighted in the ITAC (International Trade Administration Commission) pamphlet. Other import requirements, besides the control of ITAC, are also in place for some goods as specified in “PRODUCT SPECIFIC INFORMATION” section of this document. The importer needs to fulfil all such requirements before importing goods into South Africa.

c. **Prohibited, Restricted and Counterfeit Goods**

Customs Department is also responsible to administer Prohibited, Restricted and Counterfeit Goods at import and apply the relevant regulations. The importer needs to be in knowledge of these provisions and also whether the goods imported attract these provisions or not. The main difference between prohibitions and restrictions is that - Prohibited goods are never allowed to enter or exit South Africa under any circumstances. Restricted goods are allowed to enter or exit South Africa only in certain circumstances or under certain conditions, for example on production of a permit, certificate or letter of authority from the relevant government department, institution or body.

SARS administers certain prohibitions or restrictions in terms of section 113(8)(a) of the Customs and Excise Act, 1964 on behalf of a number of government departments, institutions or bodies, for example the Department of Agriculture, Forestry and Fisheries, National Regulator for Compulsory Specifications (NRCS), the South African Reserve Bank (SARB), to name a few.

Prohibitions and restrictions are not limited to goods carried by travellers, but are applicable on all modalities of transport (road, rail, air, sea, post or other). This means that products subject to any prohibitions or restrictions will be subject to those no matter in what form of package or packaging they are imported or exported.

In addition to the prohibitions and restriction, the status of the goods must also be declared as follows:

- N for new goods;

- U for used goods; and
- S must be used for second hand goods

The prohibitions and restrictions from all different government departments, institutions or bodies are incorporated in the Consolidated Lists of Prohibited and Restricted Imports and Exports, which is available at

<http://www.sars.gov.za/ClientSegments/Customs-Excise/Travellers/Pages/Prohibited-and-Restricted-goods.aspx>

The list is categorised according to the tariff structure of the HS Coding system. Examples of prohibited goods are including but not limited to:

- Narcotic and habit-forming drugs in any form
- Fully automatic, military and unnumbered weapons, explosives and fireworks
- Poison and other toxic substances
- Cigarettes with a mass of more than 2kg per 1000
- Goods to which a trade description or trademark is applied in contravention of any Act (for example, counterfeit goods – see below)
- Unlawful reproductions of any works subject to copyright
- Prison-made and penitentiary-made goods
- Second hand cars
- Medications not approved by the Medical Control Council
- Plant Material without license

Examples of restricted goods are including but not limited to:

- **Currency:** South African bank notes in excess of R25 000, gold coins, coin and stamp collections and unprocessed gold.
- **Endangered plants and animals:** Species of plants or animals that are listed as endangered, whether they are alive or dead. The restriction includes any parts of or articles made from them.
- **Food, plants, animals and biological goods:** All plants and plant products eg. seeds, flowers, fruit, honey, margarine & vegetable oils. All animals, birds, poultry and products thereof, for example, dairy products, butter and eggs.
- **Medicines:** Travellers are allowed to bring in no more than three months' supply of pharmaceutical drugs and medicines for their personal use. All other pharmaceutical drugs and medicines have to be declared and have to be accompanied by a letter or certified prescription from a registered physician.

#### d. **Counterfeit Goods**

The importer needs to know whether the goods attract the provisions of the Counterfeit Goods Act, 1997 (Act No. 37 of 1997) which is primarily aimed to prevent the release of

counterfeit goods into the local market of South Africa. SARS officials may, in terms of section 113A of the Customs and Excise Act, 1964, detain any goods upon importation into South Africa to ascertain whether the goods are indeed counterfeit goods as contemplated in the Counterfeit Goods Act, 1997. These actions are carried out on behalf of the Department of Trade and Industry under whose authority the Counterfeit Goods Act, 1997 is administered (as provided for in section 15(1) of the Counterfeit Goods Act, 1997). The following actions or goods are prohibited and will be included in ascertaining whether actions/goods are complying with the requirements contemplated in the Counterfeit Goods Act, 1997 or not:

- Being in possession of or having control over counterfeit goods for the purpose of dealing therein;
- Manufacturing, producing or making of counterfeit goods, including the keeping, storing or packing thereof, other than for private and domestic use;
- Counterfeit goods being exposed for sale or being sold, hired out, bartered or exchanged;
- Counterfeit goods being exhibited in public for purposes of trade;
- Counterfeit goods being distributed for trade or other purposes;
- Counterfeit goods being imported into/ through/exported from South Africa; or
- The act of dealing in counterfeit or suspected counterfeit goods.

Section 15(1) of the Counterfeit Goods Act, 1997 entitles an owner of intellectual property to apply to the SARS Commissioner to seize and detain goods incorporating specific intellectual property rights during a particular period and calculate the infringement that might exist in terms thereof, or assist with the protection of that right for that period. This application is referred to as a Section 15 Application and must be forwarded to the National Coordinator: Counterfeit Goods, Lehae La SARS, 299 Bronkhorst Street, Nieuw Muckleneuk, Pretoria, or Private Bag X923, Pretoria, 0001 for consideration.

Intellectual property rights are defined in section 1 of the Counterfeit Goods Act, 1997 and include goods containing trademarks, copyright or specific marks regulated under the Trade Marks Act, 1993, the Copyright Act, 1978 or the Merchandise Marks Act, 1941, respectively.

e. **Dangerous Goods**

Importer in South Africa needs to know the protocol for handling dangerous goods and the regulations that have to be adhered to for release of such goods. South Africa has a protocol for handling imports of dangerous goods.

f. **Commercial Invoice**

The Importers in South Africa require a commercial invoice for clearance of goods. The proforma invoice is not acceptable. The commercial invoice gives the Customs Officer a complete and correct description of imported goods and its value declared.

g. **Description**

The description of goods being imported needs to be clear, precise and non-generic as different materials attract different rates of duty and taxes. An accurate description prevents confusion and delays in the import process.

h. **Label on Importer Goods**

Labels on imported products must be printed in English. The law requires that the information and ingredients must appear in one or more of the official languages. The SABS publish a book which can be obtained directly from them which includes all the regulations that must be adhered to with regard to labelling.

i. **Rules of Origin**

The rules of origin are important for the importer as different rules of origin are processed differently and attract different duties and taxes. The South African Declaration (or certificate) of Origin, Form DA-59, certifying the country of origin, description of goods, weight, is required for:

- a) Stainless steel tableware
- b) Kitchen items
- c) Household articles
- d) Iron or steel except stainless steel
- e) Motor vehicle air filters & parts, motorcycle oil or petrol filters.
- f) Reception apparatus for radio telephone or radio broadcasting apparatus

j. **Registration**

Only an importer registered with SARS can import goods in South Africa. This process is simple and can be completed through the SARS website. Upon registration, the importer receives an Importer's Code. This code is the identification of the importer and allows him/her to import goods regularly. There is also an option to become a temporary importer with permission to import three (03) times a year.

k. **Permit**

Importer needs to ascertain whether the Import Permit is required. For all goods that are listed in the document of Prohibited or Restricted Goods list or those specified in "Product Specific Information" section of this document require Import Permit from relevant government organization.

l. **Goods Declaration**

The Importer needs to have the Bill of Lading, Insurance documents, packing list, at least three copies of Commercial Invoice, import permit (if required), licenses from relevant department of entity (if required) and any other specific document required in respect of the imported good before filing of Goods Declaration.

The Goods Declaration can be filed for home consumption, warehousing, transit, in bond movements or for temporary admission in South Africa. Importer is required to clear the

imported goods within seven days. In case of loose or bulk break cargo, imported by sea, air or rail, clearance has to be completed within 14 days. In case of goods in a container depot, clearance has to be completed within 28 days. If imported goods are not cleared within this time, these may be removed and detained in a State Warehouse.

The Goods Declaration has to be filed in the Customs online filing system. The filing system is also available on mobile phones through the SARS e-filing App. This Goods Declaration is called the Single Administrative Document (SAD). The Customs Declaration Form is a South African document required by the South African Revenue Service (SARS). The purpose of this document is to ensure that imported goods are properly declared to SARS. This document is submitted to the Customs at the time that the goods are imported. The document(s) will need to be approved by Customs before the goods will be allowed to be imported.

All clearance system is EDI based where human interaction is minimized. The system processes the SAD through Red, Yellow or Green channel based on the parameters designed in the system. The Green channel imports are cleared upon declaration and

m. **Using a Clearing Agent**

There is nothing stopping importer from clearing the goods on his/her own, however, hiring a clearing agent for clearance process helps as clearing agent is able to guide at various steps and get the process completed at a rapid pace.

n. **Payment of Duties and Taxes**

The duties and taxes are calculated in the Customs System on the basis of the information declared by the importer through the SAD filed. Advance payment or payment via Bulk Deposits in the SARS/Customs Account of the importer is not accepted at this stage. Only when a transaction of import is present in the system, the payment can be made by the importer. In certain cases, the goods are examined and the declaration is appropriately amended in light of the examination of goods. The duties and taxes calculated are required to be paid by the importer in the designated head of account in the designated banks and only upon receipt of proof of payment of all due duties and taxes, the goods are cleared for the importer to take delivery.

o. **Payment Terms in South Africa**

The most common payment methods in exporting goods to South Africa are:

- i. **Payment in Advance.** This is certainly the most preferred form of payment from the exporter's point of view. However, it is the hardest to negotiate.
- ii. **Letter of Credit.** Other than Payment in Advance, this is the safest method of payment in exporting. The customer arranges a letter of credit with their bank – known as the issuing bank. The letter of credit contains the instructions that must

be followed and documentary evidence that must be supplied to a correspondent bank in South Africa.

- iii. **Bill of exchange.** Documentary collections are probably the safest method. This is when an overseas bank, acting on your bank's behalf, only releases the documents necessary for your customer (i.e. the importer) to take possession of the goods once they formally accept the terms of a bill of exchange. In accepting the bill of exchange, the customer essentially pays the overseas bank.
- iv. **Open Account.** This is an agreement you should only enter into with a very good client – one that you trust. This is because you agree with the buyer that they only need to pay 30 days after receiving your invoice. With an open account, the exporter carries all the risk.

It is also important for importer and exporter to consider how will the export proceeds are paid by the importer as all payments are to be made in terms of the foreign exchange controls and regulations.

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