

# Tax

# Alert

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## Let's talk

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## Impact of COVID-19: Import and Export of Goods

### In brief

The importation of "critical goods" as listed by ITAC will qualify for exemption from VAT and a full rebate of import duty under Rebate item 412.11.

Registered importers must apply to ITAC, via email, to obtain the required import certificate which should be issued within 24 to 48 hours.

Currently no "essential goods" listing is available which qualifies for exemption of VAT and a full rebate of import duty.

### In detail

Due to the measures put in place under the Disaster Management Act 57 of 2002, "essential goods" as defined in Regulation R.398 (Chapter 2 paragraphs 11A and Annexure B) of Government Gazette No 43148 of 25 March 2020 have been amended.

The amendment to Regulation R.398 defines "essential goods" as follows:

#### Food

- Any food product, including non-alcoholic beverages;
- Animal food; and
- Chemicals, packaging and ancillary products used in the production of any food product.

#### Cleaning and Hygiene Products

- Toilet paper, sanitary pads, sanitary tampons, condoms;
- Hand sanitiser, disinfectants, soap, alcohol for industrial use,

- household cleaning products, and personal protective equipment; and
- Chemicals, packaging and ancillary products used in the production of any of the above.

#### Medical

- Medical and hospital supplies, equipment and personal protective equipment; and
- Chemicals, packaging and ancillary products used in the production of any of the above.

#### Fuel, including coal and gas

#### Basic Goods, Including Airtime and Electricity

### Import of goods under COVID-19

The Industrial Development Corporation (IDC) launched a ZAR500 million facility for trade finance to import essential medical products.

On 27 March 2020 the South African Revenue Service (“SARS”) announced that the importation of “essential goods” (specific to the COVID – 19 pandemic) will be exempt from Value-Added Tax (“VAT”). In this regard, SARS indicated that essential goods as defined may be imported using Rebate Item 412.11 of Schedule 1 to the VAT Act.

Schedule 4 of the Customs Excise Act, Act 91 of 1964 also provides for the importation of goods under General Rebate Item 412.11.

The purpose of Rebate Item 412.11 is the same in both the Customs and the VAT Acts in relation to goods imported, i.e.:

- For the relief of distress of persons in cases of famine or other national disaster;
- Under any technical assistance agreement; or
- In terms of an obligation under any multilateral international agreement to which the Republic is a party:

Rebate item 412.11 further requires:

- The importation of any goods under this item shall be subject to a certificate issued by the International Trade Administration Commission (“ITAC”) and to such other conditions as may be agreed upon by the Governments of the Republic, Botswana, Lesotho and Swaziland; and
- Goods imported under this item shall not be sold or disposed of to any party who is not entitled to any privileges under the item, or be removed to the area of Botswana, Lesotho, Namibia or Swaziland without the permission of the International Trade Administration Commission.

In light of the above, “essential goods” as defined in Regulation R.398 in Government Gazette No 43148 of 25 March 2020, will qualify to be exempt from VAT on importation. This will however exclude the following:

- dutiable (and no ITAC certificate under item 412.11 of Schedule No. 4 of the Customs and Excise Act, 1964, has been issued);
- the subject of applications for duty support that are currently pending before ITAC; and
- manufactured by domestic industry and ITAC has determined such industry is being or is likely to be injured by imports.

The list of goods excluded the last two bulleted items are listed on the **ITAC import VAT certificate**. Goods that qualify for VAT exemption and are not dutiable fall under a **certificate issued by ITAC** and no individual applications need be submitted to SARS or ITAC.

Further to this, the importation of **critical supplies** for purposes of the national state of disaster necessitated by the COVID-19 pandemic will be exempt from VAT and free of duty. However, under these circumstances, importers will be required to apply to ITAC for a certificate to qualify for the rebate contained in item 412.11.

The VAT exemptions or rebate of duties mentioned herein, is only applicable to direct importations and will not apply to imports cleared into bond or warehousing.

CPC A 14 must be used for importations from outside SACU and CPC A 12 for importations from the BLNS, with measure 412.11/00.00/01.00.

### **Export of essential goods**

Government is also considering implementing export control on the export of essential goods in order to control the export of key goods, including:

- Face masks;
- Hand sanitisers; and
- Critical medication.

This means that essential goods may only be exported by means of an export permit issued by ITAC. This is not a ban on these goods but a control to ensure there is adequate supply of key pharmaceuticals and medical supplies in South Africa during the

### **Getting in touch with SARS during the lockdown period**

SARS is limiting face-to-face contact and will provide all taxpayer services through their online channels. Taxpayers who have difficulties using these portals can visit their nearest branch, by appointment. Interaction with SARS should be done through eFiling, the SARS MobiApp and e@syFile and the contact center (0800 00 7277).

During the COVID-19 pandemic, SARS Customs has also set up a command centre to deal with escalations that may have not been dealt with at branch level. Your existing call reference number, transaction (SSM/LRN) can then be sent to [osc@sars.gov.za](mailto:osc@sars.gov.za). To save duplication and time, clients are reminded that queries must be sent to the relevant branch/processing centre.

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