

South Africa: Do all good things come to an end? | Phasing out the low customs value consignment relief

07 Nov 2024 • 3 minute read

Tax

SARS

VAT

In brief

The South African Revenue Service (SARS) has phased out the low customs value consignment relief, effective 1 September 2024. Previously, imports valued at ZAR500 or less were subject to a flat 20% rate without VAT. This change, driven by local industry concerns over unfair competition, introduces VAT on all imports and reconfigures the flat rate system. From 1 November 2024, SARS will categorize imports into four groups to streamline customs procedures and ensure fair trade. This impacts multinational companies, eCommerce traders, and consumers, who must now navigate new tax and customs requirements. Stakeholders are advised to stay informed and consult advisors for compliance.

In depth

Do all good things come to an end? | Phasing out the low customs value consignment relief

Before 1 September 2024, imports valued at ZAR500 or less (c. EUR26) were subject to a flat rate of 20% in lieu of customs duties and no value added tax (**low value consignment relief**). This relief was apparently introduced under a 2007 concession list published by the South African Revenue Service (SARS). The concession presented various benefits to multinational companies as they gained access to the South African market through the retention of low costs – achievable through reduced duties and taxes. On the other hand, this was also beneficial to consumers reliant on eCommerce stores offering competitive prices, reduced taxes, and a wide range of selection. Furthermore, both suppliers and consumers benefitted from simplified import procedures.

Over the past few months, there have been various media publications indicating that the South African Revenue Service (SARS) intends to implement changes to the South African customs import system. This comes after an uproar from the local textile industry, clothing retailers and manufacturers who have expressed concern with the rise in imports of clothing from multinational eCommerce stores at relatively low prices and minimal costs, thus leading to what they perceive of as unfair competition. To address this complaint and to promote fair competition and legitimate trade for the benefit of the country's economic development, SARS released a media statement on 8 August 2024 (**Media Release**), proposing a phase-out of the low value consignment relief by implementing the following:

1. as an immediate interim measure and with effect from 1 September 2024, the introduction of value added tax (VAT) in addition to the current 20% flat rate with effect from 1 September 2024 (**Interim Measure**); and
2. with effect from 1 November 2024, the reconfiguration of the current 20% flat rate in line with the World Customs Organisation's Guidelines on Immediate Release", (**Second Measure**).

Recently, SARS informed the public that the Interim Measure has in fact been implemented and constitutes current practice. Therefore, since 1 September 2024, all clothing imports irrespective of their customs value are subject to import VAT at the standard rate of 15% and with respect to consignments valued at ZAR500 or less, import VAT will apply in addition to the 20% flat rate.

Through the implementation of the Second Measure, SARS intends to standardise the processing of eCommerce goods and promote efficiency by categorising goods into the following four distinct categories, which will guide the tax treatment and applicable customs procedures of goods upon importation:

Category 1 – Correspondence and documents of no commercial value, not subjected to duties and taxes, and eligible for immediate release upon compliance with specific requirements.

Category 2 – Low value consignments below a specified de minimis threshold for which no duties and taxes are collected, and eligible for immediate clearance and release upon compliance with specific requirements.

Category 3 – Low value dutiable consignments above de minimis, but below the full declaration value threshold, and eligible for simplified declaration or release with certain requirements being met.

Category 4 – High value consignments including consignments containing goods that are subject to restrictions. It is envisaged that the normal clearance procedures, including the payment of duties and taxes will apply to goods falling under this category.

We encourage eCommerce traders and all stakeholders involved in the supply chain to keep abreast of these developments and consult their advisors to ensure ongoing compliance with South African customs and trade laws.

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