NCAP Programme

Customs Deferment Model

2017/05/29

- Design principles

- Transitioning implications

  - Current mode of Operation

  - Future mode of Operation

- Key concepts

  - Securities management

  - Limit and payment date assignment

  - Electronic enablement
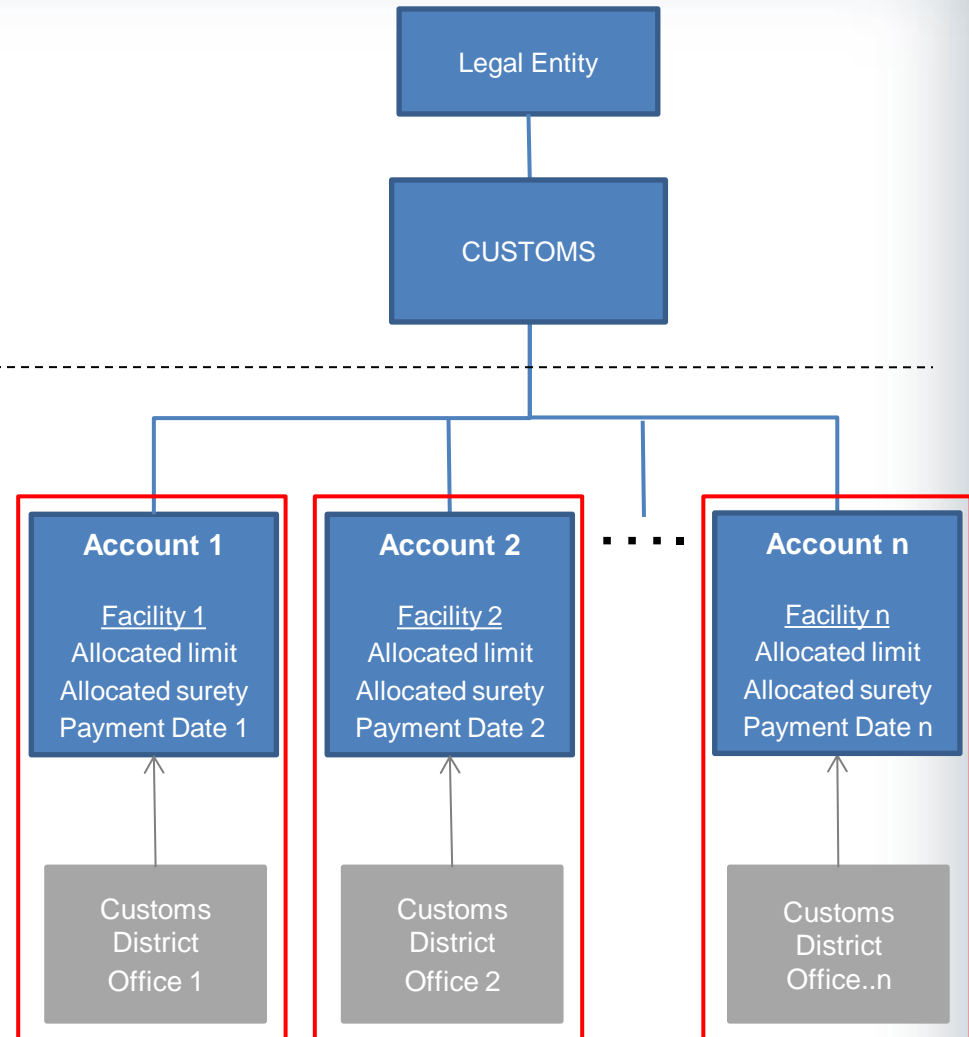
  - Permissible transactions

- Entity management

- Standard processes

- Electronic enablement

- Design principles

- Transitioning implications
  - Current mode of Operation
  - Future mode of Operation

- Key concepts
  - Securities management
  - Limit and payment date assignment
  - Electronic enablement
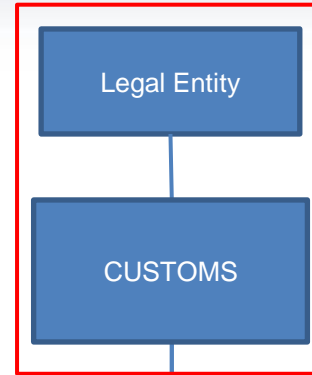 - Permissible transactions

The current model is characterised by a "Port of Entry" structure leading to a high administrative overhead

Risk, Cash Flow, and Operational Management

- A separate Facility at each Port of Entry
- Each Facility has its own Payment Date, Limit, Surety
- Each Facility is independently managed
- Risk is managed at a Facility level
- No Facility = cash only
- Sufficiency of limits is managed per Facility

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                          Legal Entity
                               |
                            CUSTOMS
- - - - - - - - - - - - - - - - - - - - - - - - - - - - - -

  Account 1          Account 2    . . . . .    Account n

  Facility 1         Facility 2              Facility n
  Allocated limit    Allocated limit         Allocated limit
  Allocated surety   Allocated surety        Allocated surety
  Payment Date 1     Payment Date 2          Payment Date n

  Customs            Customs                 Customs
  District           District                District
  Office 1           Office 2                Office..n
```

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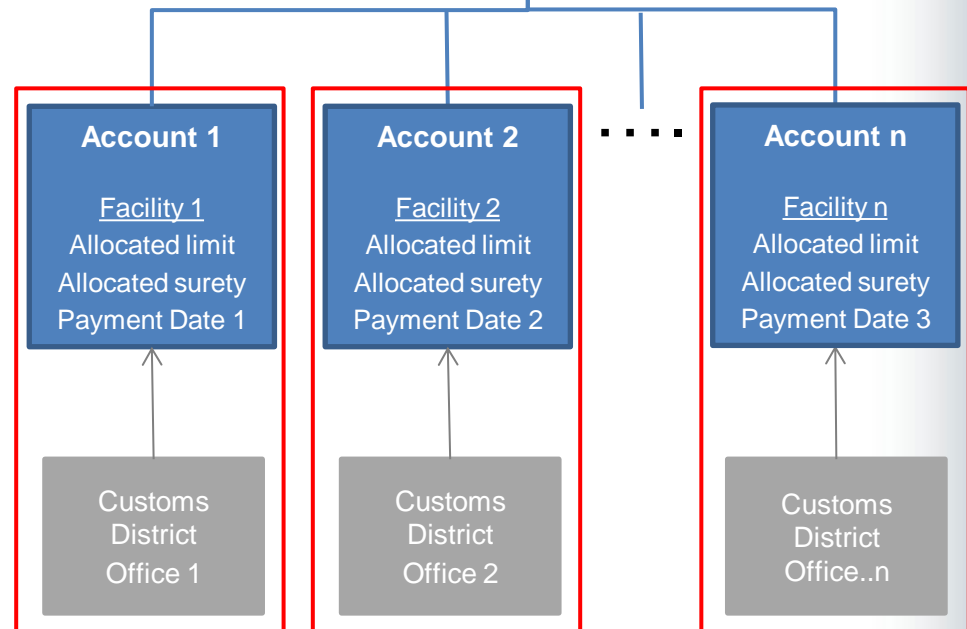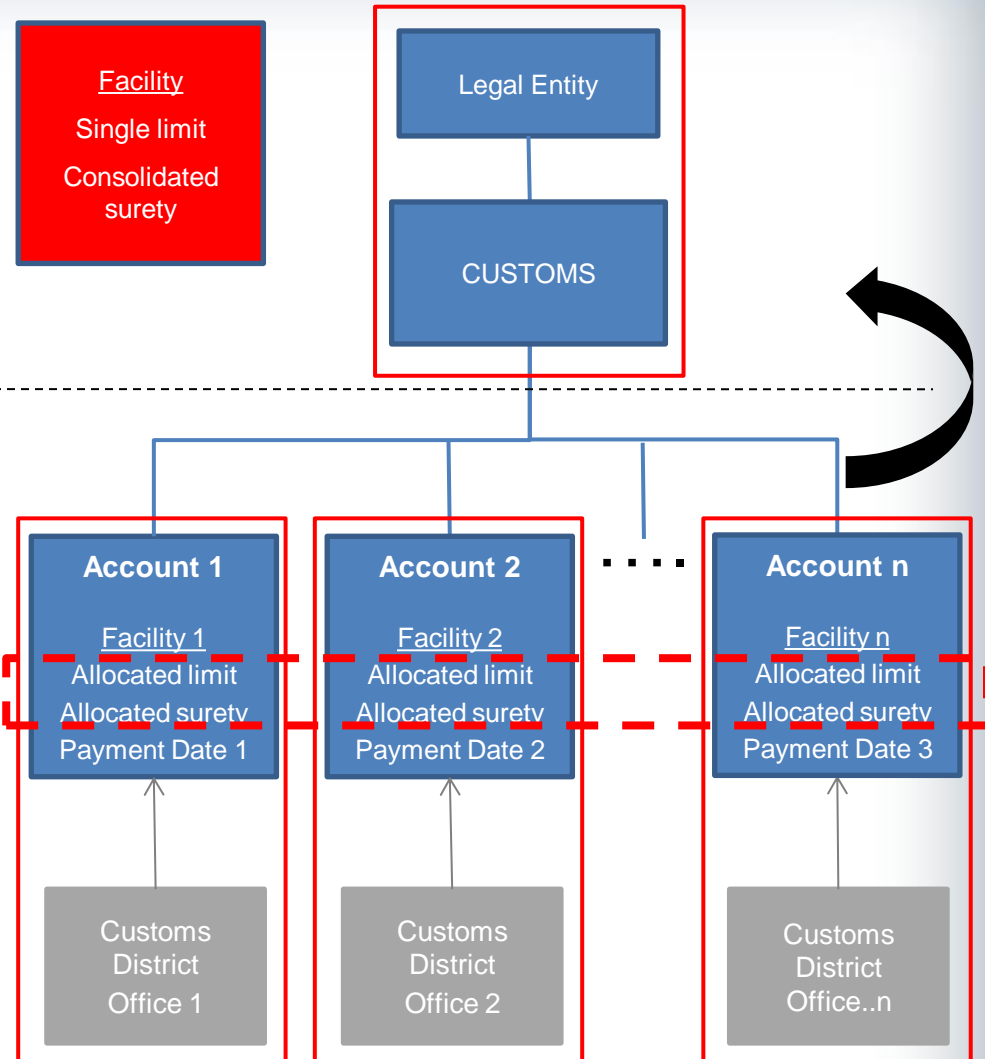- Sufficiency of limits is managed per Facility

Legal Entity

CUSTOMS

Account 1

Facility 1
Allocated limit
Allocated surety
Payment Date 1

Customs District Office 1

Account 2

Facility 2
Allocated limit
Allocated surety
Payment Date 2

Customs District Office 2

Account n

Facility n
Allocated limit
Allocated surety
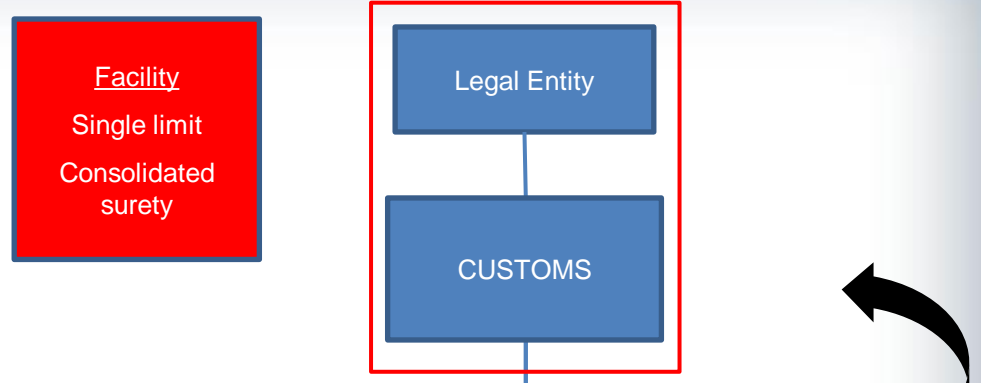Payment Date 3

Customs District Office..n

Risk, Cash Flow, and Operational Management

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Facility
Single limit
Consolidated surety

Legal Entity

CUSTOMS

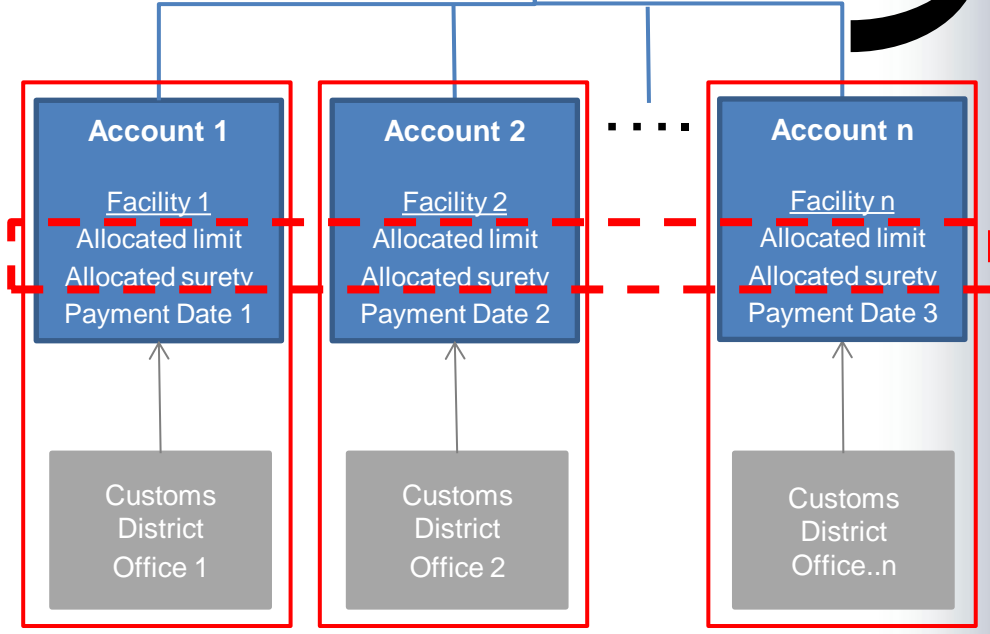| Account 1	Account 2	Account n
Facility 1	Facility 2	Facility n
Allocated limit	Allocated limit	Allocated limit
Allocated surety	Allocated surety	Allocated surety
Payment Date 1	Payment Date 2	Payment Date 3
Customs District Office 1	Customs District Office 2	Customs District Office..n

Risk Management

- Involves holistic risk management of the Entity
- Limits are consolidated into one Single Limit
- Surety is taken against this Single Limit.

Facility

Single limit

Consolidated surety

Legal Entity

CUSTOMS

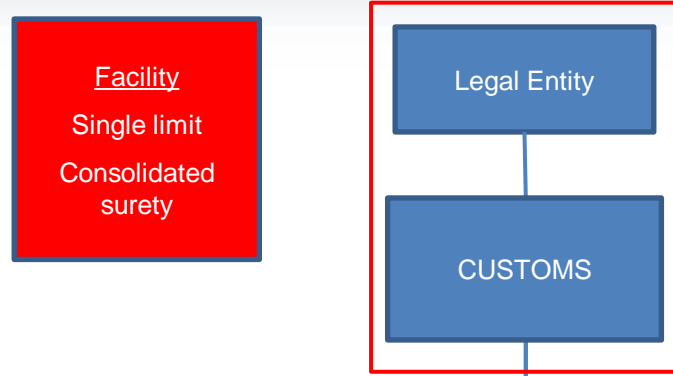**Risk, Cash Flow, and Operational Management**

- A separate Facility at each Port of Entry
- Each Facility has its own Payment Date, ~~Limit, Surety~~
- Each Facility is independently managed
- ~~Risk is managed at a Facility level~~
- No Facility = cash only
- ~~Sufficiency of limits is managed per Facility~~

Account 1

Facility 1
Allocated limit
Allocated surety
Payment Date 1

Account 2

Facility 2
Allocated limit
Allocated surety
Payment Date 2

Account n

Facility n
Allocated limit
Allocated surety
Payment Date 3

Customs District Office 1

Customs District Office 2

Customs District Office..n

Risk Management
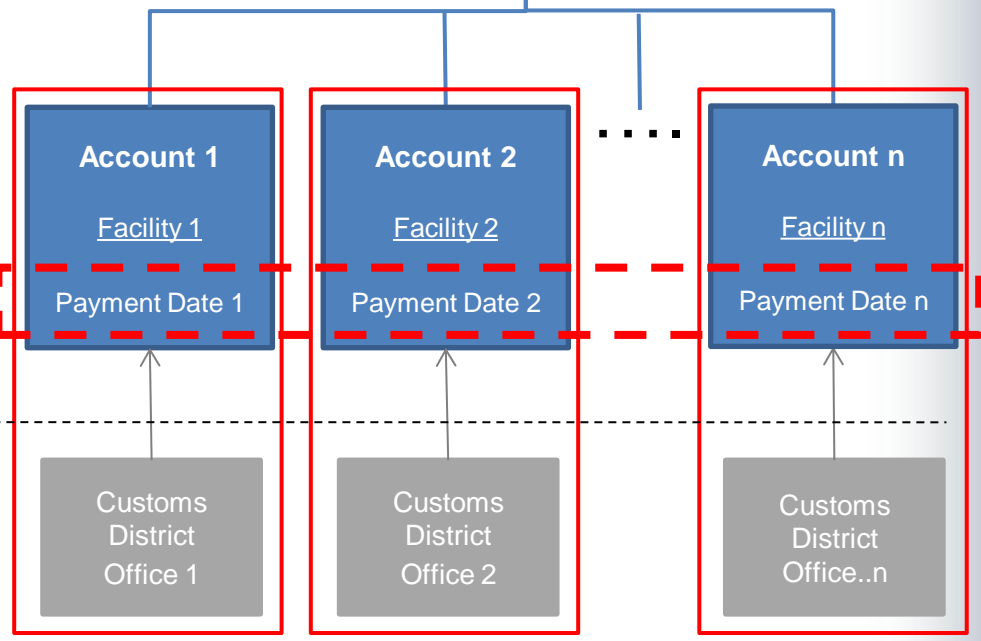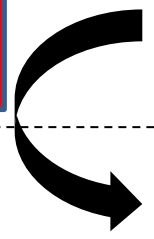
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Facility

Single limit

Consolidated surety

Legal Entity

CUSTOMS

Cash Flow and Operational Management

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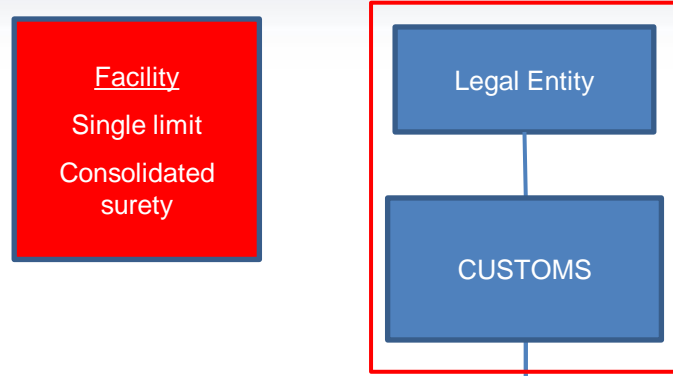- Each Facility is independently managed
- No Facility = cash only

Facility

Standardise on 3 Payment Dates

Account 1	Account 2	Account n
Facility 1	Facility 2	Facility n
Payment Date 1	Payment Date 2	Payment Date n

Customs District Office 1

Customs District Office 2
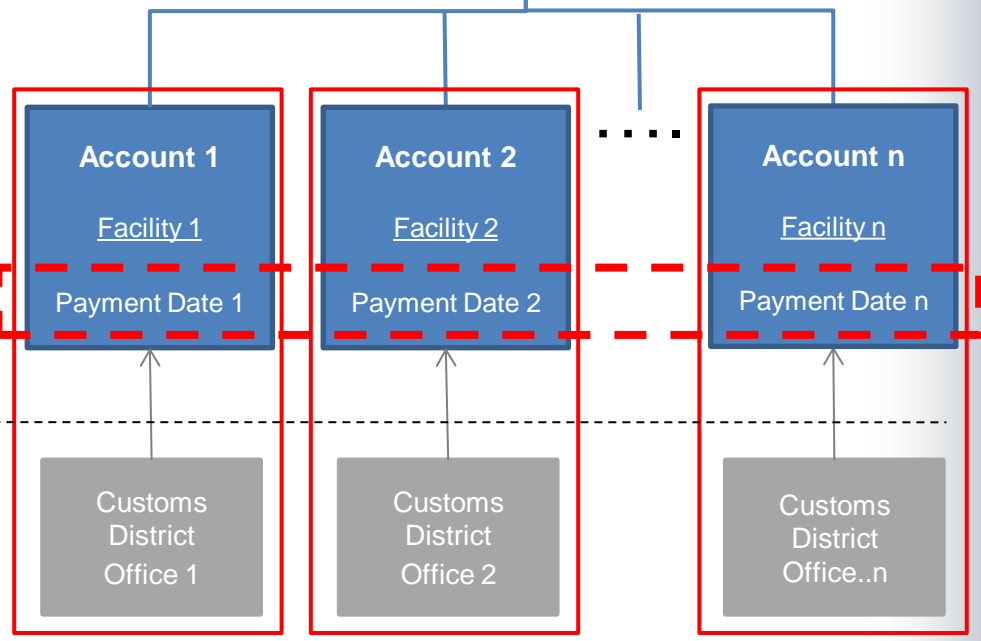
Customs District Office..n

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Single limit

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Legal Entity

CUSTOMS

Cash Flow ~~and Operational~~ Management

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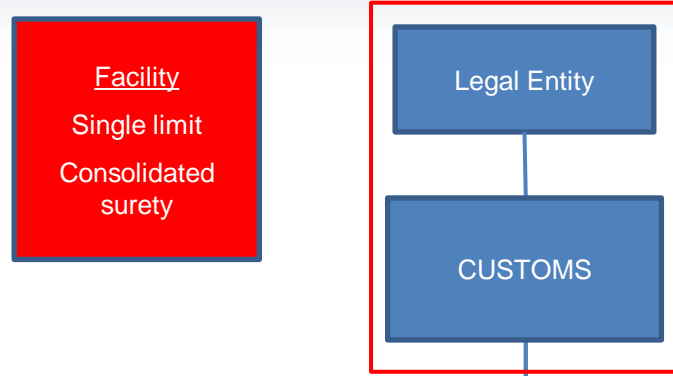- ~~No Facility = cash only~~

Facility

Standardise on 3 Payment Dates

Account 1	**Account 2**	**Account n**
Facility 1	Facility 2	Facility n
Payment Date 1	Payment Date 2	Payment Date n

Operational Management

- Deferment is available to all Ports of Entry
- Traders can assign Ports to a Facility

Customs District Office 1

Customs District Office 2
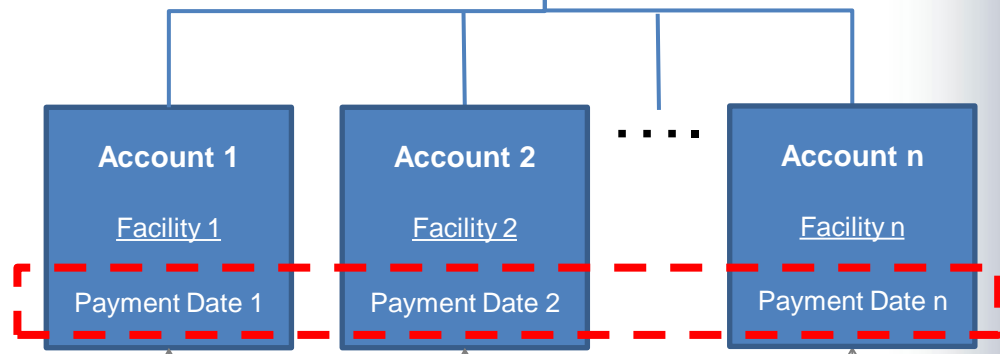
Customs District Office..n

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Facility
Single limit
Consolidated surety

Legal Entity

CUSTOMS

Cash Flow Management

- Each Facility has its own Payment Date
- Each Facility is independently managed

Facility
Standardise on 3 Payment Dates

Account 1	Account 2	Account n
Facility 1	Facility 2	Facility n
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Operational Management

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Customs District Office 1

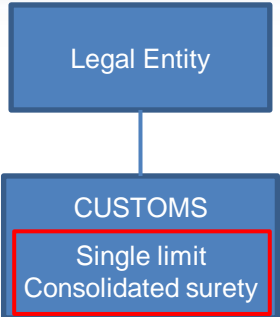Customs District Office 2

Customs District Office..n

End State Deferment Model:
Traders have will have the ability to rationalise FANs

Risk Management
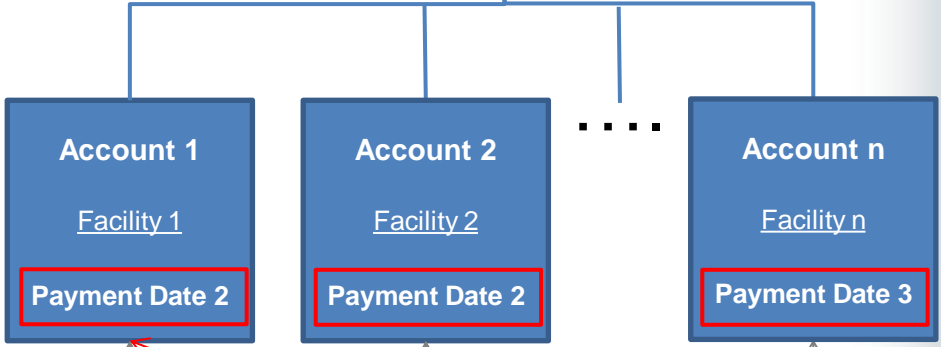
• Involves holistic risk management of the Entity

• Limits are consolidated into one Single Limit

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Legal Entity

CUSTOMS

Single limit
Consolidated surety

Cash Flow Management

• Each Facility has its own Payment Date

• Each Facility is independently managed
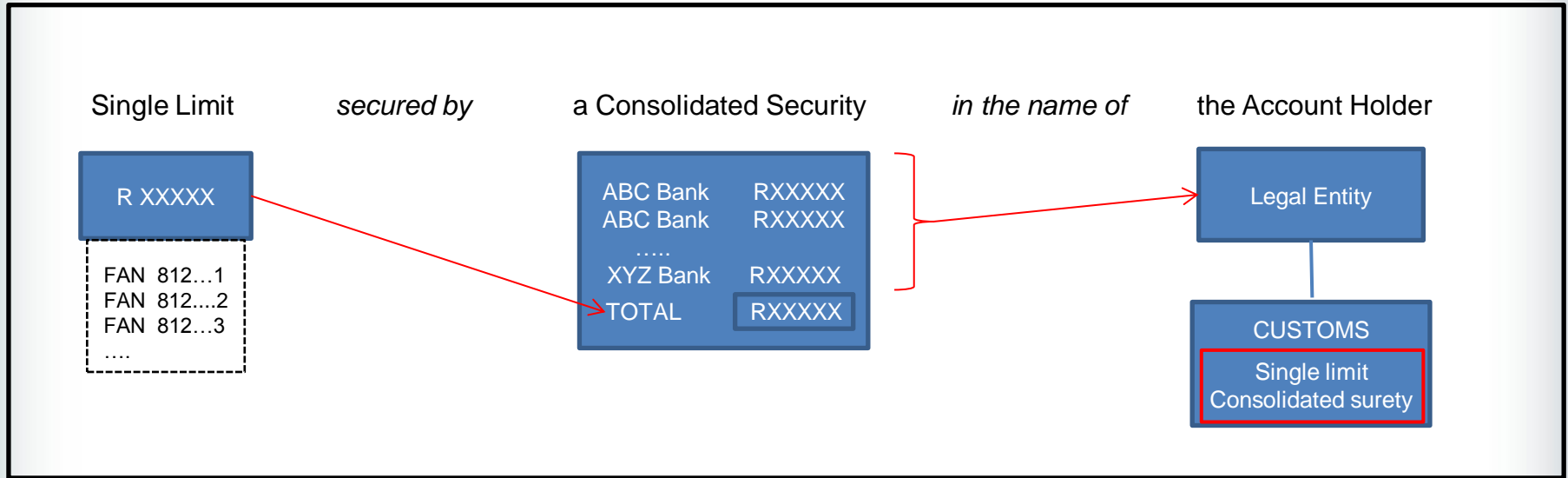
Duplicate accounts can be removed

Account 1

Facility 1

Payment Date 2

Account 2

Facility 2

Payment Date 2

. . . . .

Account n

Facility n

Payment Date 3

Operational Management

• Deferment is available to all Ports of Entry

• Traders can assign Ports to a Facility

Customs District Office 1

Customs District Office 2

Customs District Office..n
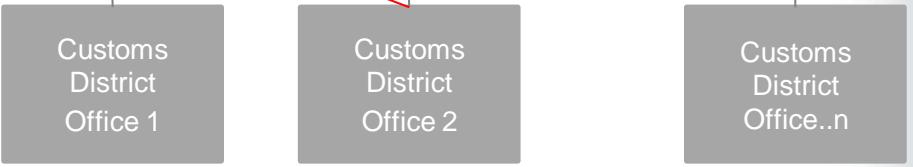
- Design principles

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- Key concepts

  - Securities management

  - Limit and payment date assignment

  - Electronic enablement

  - Permissible transactions

Securities management

- A single limit is granted irrespective of the number of accounts – 3.13(j)
- The security must cover all these deferment accounts - 3.13(e)

Single Limit	*secured by*	a Consolidated Security	*in the name of*	the Account Holder

R XXXXX

FAN 812…1
FAN 812….2
FAN 812…3
….

ABC Bank   RXXXXX
ABC Bank   RXXXXX
…..
XYZ Bank   RXXXXX
TOTAL   RXXXXX

Legal Entity

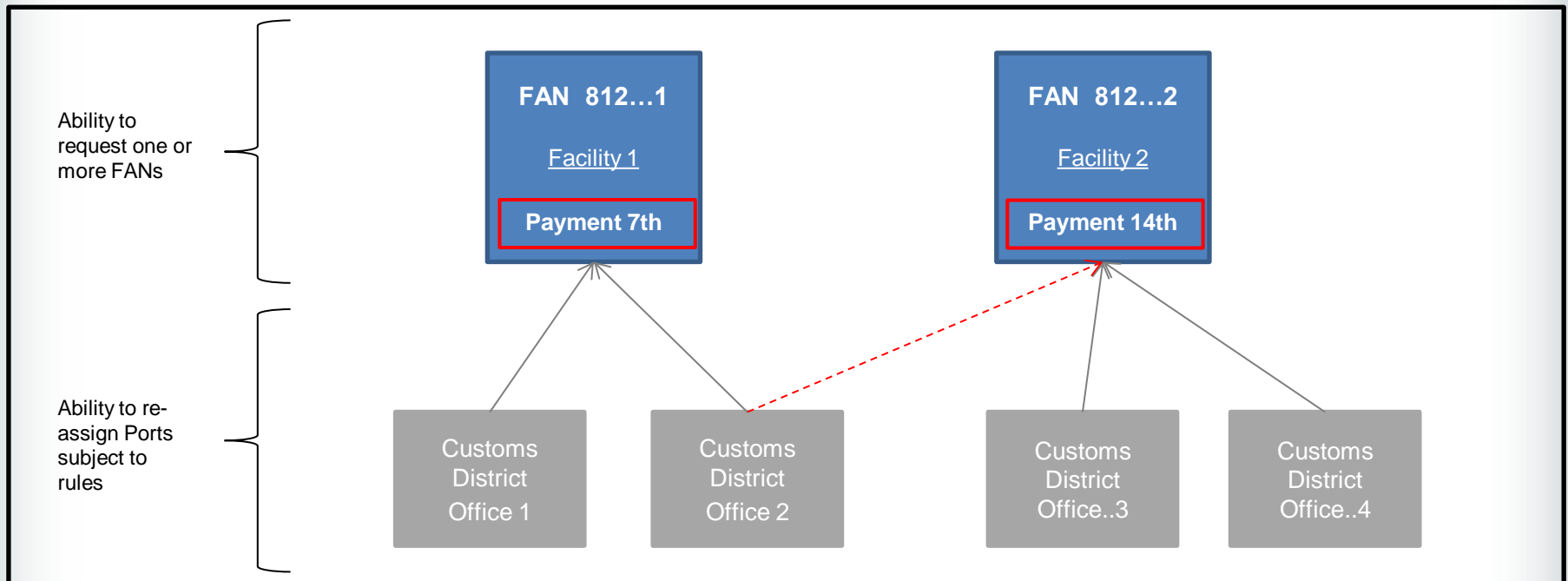CUSTOMS
Single limit
Consolidated surety

Limit and payment date assignment

- A registrant no longer has any discretion – 13.12(2)
    - Single limit per registrant
    - 3 standard payment dates to choose from: 7th, 14th, and 21st plus mandatory 13 SoA (29th)
- Calculation of available deferment balance will continue to work the same way. The only difference is that in future the available balance is a consolidated calculation - 3.13(k)
- Late payments will attract interest and penalties - 3.13(m)
- Available deferment balance can be increased via payment or application - 3.13(n) & (o)
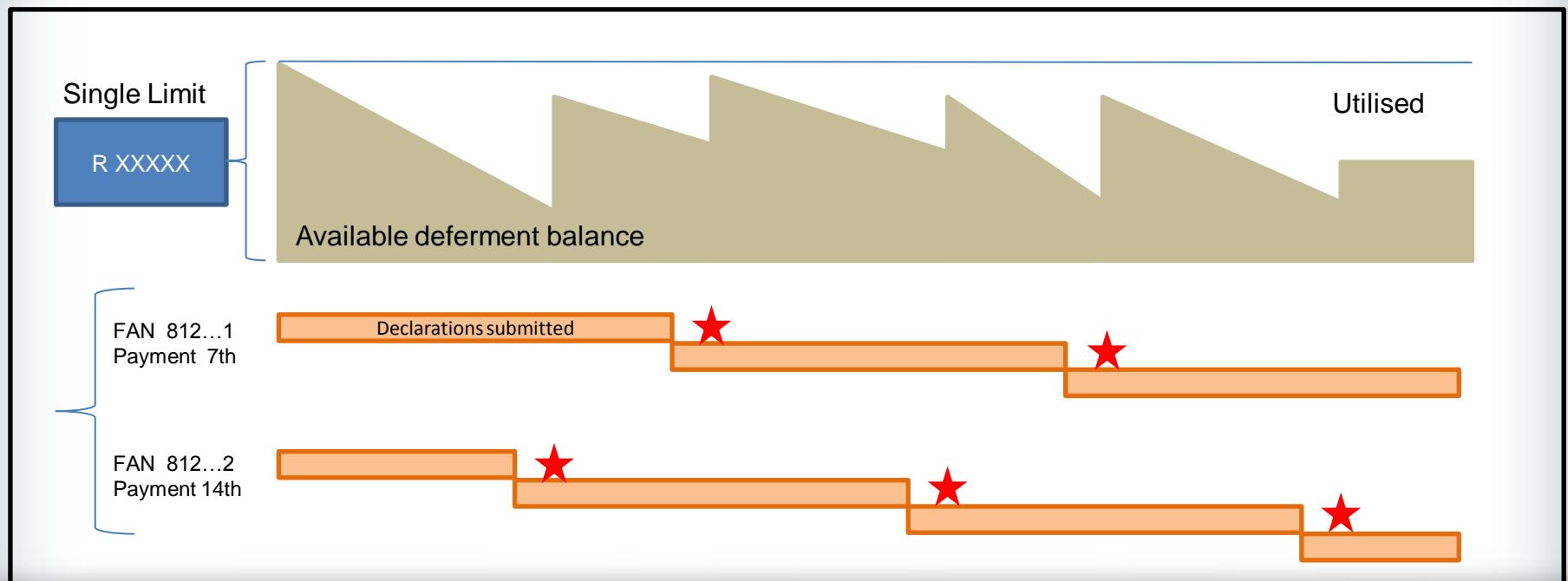
- Must be a registered eFiler – 13.11B(2)
- All deferment applications made via eFiling - 3.12(1)
  - Supporting documents on request 3.12(4)
- All deferment amendments made via eFiling - 3.12(1)
- All deferment payments to be made via eFiling – 3.13(l)

Ability to request one or more FANs

Ability to re-assign Ports subject to rules

FAN 812…1

Facility 1

Payment 7th

FAN 812…2

Facility 2

Payment 14th

Customs District Office 1

Customs District Office 2

Customs District Office..3

Customs District Office..4

Permissible transactions

- Duty on clearance for Home Use upon importation – 3.13(a)
- Underpayments of duty declared within the original deferment period – 3.13(a)
- Deferment benefit limited to a specific period not greater than 3 years – 3.13(b)

Note: Deferment granted in terms of the 1964 Act expires when the Customs Duty Act takes effect

Questions