



the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

THE NATIONAL ASSEMBLY

QUESTION FOR ORAL REPLY

QUESTION NO. 890

DATE OF ORAL REPLY: 23 NOVEMBER 2022

Mr M Tshwaku (EFF) to ask the Minister of Trade, Industry and Competition:

- (1) Whether his department has done any assessment of the finding of Business Leadership South Africa in 2021 that the country loses more than R250 million worth of tax revenue a day due to illicit economic activity, which has knock-on effects on job creation and service delivery; if not, why not; if so, what was found to be the impact of illegal activities on the ability of the Republic to maintain its integrity as a stable trade partner;
- (2) whether his department has quantified the problem of illegal importation of vehicles from Asia into the Republic; if not, why not; if so, what impact has this had on motor industry of the Republic?

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REPLY:

- (1) The dtic has identified the challenge of illicit economic activity in respect of trade practices in reports to Parliament, particularly in respect of specific sectors of the economy. The research commissioned by Business Leadership SA (BLSA) from the Gordon Institute of Business Science (GIBS) is a further example of the scale of illicit trade practices.

As indicated in my written response to Question 2887 (9 September 2022), the monitoring and response to illicit trade falls within the mandate of law enforcement agencies including the South African Revenue Services (SARS).

the dtic has sought to address illicit trade issues in Master Plans – where relevant, such as in the Clothing, Textiles, Footwear and Leather (CTFL) Master Plan which has a task team on illegal and illicit trade, and in the Steel and Metal Fabrication Master Plan which addresses illegal imports as one of its objectives.

In addition, the Department is working closely with SARS, the National Joint Operational and Intelligence Structure (NATJOINTS) and the International Trade Administration Commission (ITAC) in an Inter-Agency Working Group (IAWG) to address illicit trade with a focus on CTFL, tobacco and cigarettes, steel and metals, and gold. The Task Team, established in 2019, has focused on high visibility and high impact operations.

With regard to illicit trade in scrap metal, **the dtic** briefed parliament and published a comprehensive package of measures designed to arrest the damage done to South Africa's valuable public infrastructure by criminals who then export the metal to a lucrative global market. Recent research by Genesis Analytics estimates the economic impact of copper cable theft at approximately R46,5bn in 2021.¹

The Ministry successfully applied to be joined to a court application against SARS brought by clothing importers whose illegally-imported goods were confiscated. A report was provided to parliament on the matter, in the Department's Quarterly Report. An extract from the Report follows:

“On 7 June 2022, the dtic and SARS won a major court battle at the Supreme Court of Appeal (SCA) on a matter involving seized imported clothing. The court overturned a decision of the Gauteng High Court in a matter involving the seizure of clothing imported into South Africa at prices that SARS and the Minister contended were clearly under-declared simply in order to evade customs duties. The court case related to SARS not releasing 19 containers of clothing imported because it suspected that the value of the clothing in the containers has been under-declared in order to enable the importer to pay less customs duty than it is lawfully required to pay. The central issue in the litigation was whether this provided a justifiable basis for SARS not to release the containers. In an affidavit provided by

¹ Genesis Analytics, 2022: *South African Policy Options for Reducing Metal Theft*.

Minister Patel to the court, he stated that the under-declaration of clothing imported from countries such as China is a systemic problem in South Africa. A graphic illustration of the extent of the problem is this: in 2018 the value of the exports of textiles and clothing goods from China to South Africa as reported by the General Customs Administration of China to the United Nations was US\$ 2.4 billion, whereas the value of the imports of textiles and clothing goods into South Africa from China as reported by SARS to the United Nations was US\$ 1.5 billion. That is a difference of US\$ 900 million even though the two values should be substantially the same.”

(2) Research and estimates from industry associations are used to quantify the impact of illegal vehicles imports. This is then dealt with in a working group with industry and stakeholders such as SARS, SAPS, DoT, and RTMC amongst others.

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