

F.4 Receipts of Foreign Currency on Current Transactions

4.1 Purpose of control

Regulation 6 requires all persons resident in the Republic to sell to an Authorised Dealer within thirty days of accrual, foreign currency to which they may become entitled. This regulation covers not only the proceeds of exports, but also the proceeds of any asset sold abroad. The scope of this regulation applies to all foreign currency accruals from any source.

The purpose of the control over the receipt of foreign currency for both visible and invisible exports is to ensure:

- That accruals are indeed received in the RSA; and
- that there is no unnecessary delay in the transfer of receipts.

The receipt in the RSA of the proceeds of merchandise exports is controlled through a Form F.178 and the Cross Border Foreign Exchange Transaction Reporting System. The Cross Border Foreign Exchange Transaction Reporting System has been designed to international standards for managing BoP data enabling Authorised Dealers to report to the Reserve Bank payments received by South African residents from foreign parties.

In summary it can be said that the main forms for the control of current transactions are the Authorised Dealers integrated form used for the Cross Border Foreign Exchange Transaction Reporting System (outward payments and inward receipts) and the Form F178 (merchandise exports). The information received is used for the following purposes:

- The Research Department of the South African Reserve Bank uses the data from the Cross Border Foreign Exchange Transaction Reporting System in the calculation of invisible items of the balance of payments, namely monthly summaries of payments and receipts per category and monthly summaries of these items per country:
- The forms record the transactions and are used as evidence thereof.

They are used for control purposes, for instance to reconcile receipts with these From Form F.178, i.e. to confirm that the funds brought in correspond with the declared value of the products exported.

4.2 Receipts from merchandise exports

4.2.1 General requirements

The Form F178 is completed by the exporter (in practice often by his shipping agent) for every transaction or consignment except for:

- Exports to countries within the CMA; and
- exports, irrespective of the origin of the goods involved, if the value thereof does not exceed R50000

The Form F178 contains a description of the goods and their value. There must be a minimum of three copies. The set bears a unique number. The forms are taken to the exporter's bank where the original is attested (stamped and signed) and returned with a copy. The bank retains a copy for control purposes. Customs require the original Form F178 as part of the essential export documentation without which the goods cannot leave the country. Customs subsequently pass the form on to Exchange Control, where the information is stored in a computer.

The use of Form F178 is prescribed where the relevant export from South Africa will result in the accrual of foreign exchange to the exporter and to the country. Where the "export" will not result in a payment from abroad, the owner/exporter must complete the Form N.E.P. (No Exchange Proceeds). This relates to the taking out of personal possessions, goods exported for repair, etc.

Authorised Dealers must scrutinise the export declarations on Forms F178 and N.E.P. with a view to ensuring that the transaction value or insurance value of the goods exported is reasonable in relation to current market prices for the commodity concerned. Where any doubt exists in this respect, supporting documentary evidence of contract notes in regard to insurance cover taken and/or correspondence should be called for.

When the foreign currency proceeds of the exports are received through the banking system and converted into rand, the receipt of such payment by the South African exporter is reported to the Reserve Bank via the Cross Border Foreign Exchange Transaction Reporting System.

All information provided to the Control by way of the Form F.178 and the Cross Border Foreign Exchange Transaction Reporting System is treated with the utmost confidentiality as is all other information forwarded to Exchange Control.

The control over the foreign exchange proceeds of merchandise exports is monitored by comparing the information on the related Form F178 and the subsequent information received via the Cross Border Foreign Exchange Transaction Reporting System. Exchange Control queries discrepancies through the bank which attested the Form F178.

The Control would, on application, be prepared to consider requests absolving Authorised Dealer(s) of certain companies from the responsibility of ensuring that such entities' exports have resulted in the timeous accrual of foreign currency. In terms of the Exports Undertaking dispensation, this responsibility will rest with the company concerned.

4.2.2 Sales periods and credit

Exporters are obliged to sell goods exported within a reasonable time but not later than six months from the date of shipment and to receive the full currency proceeds not later than six months from the date of shipment. Authorised dealers may, however, without reference to Exchange Control, authorise exporters to grant credit up to a total of twelve months to foreign importers provided that they are satisfied that the credit is necessary in the particular trade or that it is needed to protect an existing export market or to capture a new one. Any extension beyond twelve months must be approved by Exchange Control.

4.2.3 Sale of currency

Exporters and all other residents entitled to sell or to procure the sale of foreign currency should offer for sale to a bank the full foreign currency proceeds within thirty days of accrual. This rule applies to all accruals, including loan funds and other capital receipts.

Exporters should furthermore report in writing to the attesting bank the non-receipt of the full currency proceeds within the period stated on Form F178 as well as the failure to sell the goods exported within six months from the date of shipment.

Where payment is received in the RSA in an approved manner or the Authorised Dealer is satisfied that payment will be so received, the dealer may allow the remittance of selling commissions payable to independent agents abroad.

4.2.4 Special stipulations

Special stipulations with respect to the export of goods in various circumstances are made in the Rulings, for example:

4.2.4.1 Exports on a consignment basis

It is not the objective to prevent the export of goods on consignment where it is the normal practice in a particular trade, but Authorised Dealers should exercise special care in permitting exports on this basis. The provision of Regulation 11 stipulating that goods not sold within six months of shipment or such shorter period as an Authorised Dealer may determine, may be assigned to the Treasury, should be brought to the attention of the exporter.

4.2.4.2 Replacement goods, short shipments and goods under guarantee

Authorised Dealers may attest Forms N.E.P. covering goods to be shipped in replacement of rejected or defective goods previously shipped or in completion of a previous short shipment, provided they are satisfied that:

- the full invoice value of the original shipment has been or will be received from the consignee;
- the exporter is bound by guarantee or trade practice to make good the deficiency without charge; and
- the replaced goods are being destroyed, re-imported or sold abroad for payment in an approved manner.

4.2.4.3 Export of defective goods for replacement

Authorised Dealers may permit South African residents, under cover of Forms N.E.P., to re-export to the original supplier defective goods which have been paid for, provided it can be proved from documentary evidence that the foreign supplier has agreed:

- to replace the consignment on a "no charge" basis with goods of an equivalent value (in such cases the applicant must, if necessary, have a permit to cover the importation of the replacement goods); or
- to refund the cost of the defective goods in full.

In the case of manufactured goods registered with Customs and Excise for re-export to their country of origin for repairs or adjustments, Authorised Dealers may make exchange available if they are satisfied from the production of documentary evidence that the funds are required for repairs or adjustments and not for replacements.

4.2.4.4 Export of advertising matter and trade samples

Authorised Dealers may attest Forms N.E.P. covering the export of advertising matter and trade samples on a "no charge" basis provided they are satisfied that the goods are being shipped purely for advertising/promotional purposes.

4.2.4.5 Return of goods for which no payment has been made

Authorised Dealers may attest Forms N.E.P. covering the return of goods to the original supplier free of counter-value or re-exports for the latter's account. Prior to attesting the Form N.E.P. Authorised Dealers must ensure that the documents covering the original import of the goods have been stamped "No Payment for Import to be Provided" and that no payment has been made for the goods in question.

4.2.4.6 Temporary export of goods to Angola, Botswana, Democratic Republic of the Congo, Malawi, Mauritius, Mocambique, Tanzania, Zambia and Zimbabwe

Authorised Dealers may attest Forms N.E.P. covering the temporary export to the abovementioned countries of used equipment, irrespective of country of manufacture, which is required by South African residents to enable them to fulfil construction contracts, provided the equipment is the contractor's own property and has not been purchased specifically for re-export. Where requests are agreed to, Authorised Dealers should ensure that the equipment is returned on completion of the contract.

4.2.4.7 Export of philatelic and numismatic items (excluding Krugerrand coins)

Export of philatelic items

The export of postage stamps and philatelic items is regarded as a normal export transaction subject to the Form F178 procedure. Authorised Dealers may attest Forms NEP covering the temporary export of postage stamps and philatelic items for exhibition purposes provided that these items are returned to South Africa within a period of six months.

Export of numismatic items

Authorised Dealers may, without reference to Exchange Control, allow South African residents to export gold coins, (excluding Krugerrand coins), currency coins and numismatic items within an overall limit of R300 per applicant per calendar year subject to the Form F178 procedure. All other matters relative to numismatic items must be referred to Exchange Control.

Any applications for amounts in excess of R300 requires Exchange Control approval. Such applications are considered on merit. Authorised Dealers may attest Forms NEP covering the temporary export of gold coins, currency coins and numismatic items for exhibition provided that these items are returned to South Africa within a period of six months.

In lieu of monetary gifts or gift parcels, Authorised Dealers may attest Forms N.E.P. in respect of the export of Krugerrand coins or the equivalent in fractional Krugerrand coins up to an amount of R30 000 as gifts by South African residents to non-residents.

4.2.4.8 Temporary exportation of motor vehicles, caravans, trailers, horse-boxes and motor/sail boats.

A traveller may be allowed to take a motor vehicle, caravan, trailer, horse-box and/or a motor/sail boat from the Republic temporarily when visiting Angola, Botswana, Democratic Republic of the Congo, Malawi, Mauritius, Mozambique, Seychelles, Tanzania, Zambia and Zimbabwe, provided the Authorised Dealer concerned is satisfied that the items will be brought back to the Republic within a period of 6 months.

A Form N.E.P. must be attested in triplicate for this purpose and Authorised Dealers should view the relative registration and insurance documents before doing so. A copy of the Form N.E.P. must be retained by the traveller for presentation to the Customs Authorities when the items are returned to the Republic.

South African residents may be allowed to export a yacht from the Republic on a temporary basis for the purpose of undertaking cruises outside South African waters, provided the Authorised Dealer concerned is satisfied that the yacht will be brought back to the Republic within a period of twenty four months and provided the insured value thereof does not exceed R1 million.

A Form N.E.P. must be attested in triplicate for this purpose and Authorised Dealers should view the following documentation before doing so:

- owner's registration certificate;
- insurance documents verifying the insured value;
- a certificate from the Cruising Association of South Africa, the "Flight Plan" together with a letter of support from them; and
- a sworn affidavit from the registered owner that the vessel will be returned to South Africa as far as possible in accordance with the flight plan.

A copy of the Form N.E.P. must be retained by the traveller for presentation to the Customs Authorities when the yacht is returned to the Republic.

The Authorised Dealer concerned must also inform the applicable parties that while the yacht may be chartered abroad, it may not be sold abroad without the approval of the Exchange Control Department of the South African Reserve Bank.

Authorised Dealers may accord foreign exchange to the crew members and/or any passengers of the yacht proceeding temporarily abroad in accordance with the normal travel allowances authorised in section 2.2.2.1.

No further foreign exchange may be accorded to such persons without the specific approval of the Exchange Control Department of the South African Reserve Bank.

4.2.4.9 Export of motor vehicles in the possession of non-residents leaving the Common Monetary Area for any other country

The exportation of motor vehicles belonging to non-residents who have purchased the vehicles in the CMA and who wish to export their motor vehicles from the CMA either temporarily or permanently should be covered by a completed Form F178.

In this regard Authorised Dealers must satisfy themselves that the purchase price of the vehicle was introduced into the CMA in an approved manner.

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4.2.7 Setting off foreign liabilities against foreign accruals

Setting-off of foreign commitments against foreign accruals, whether of a current or capital nature, is prohibited unless prior Exchange Control approval has been obtained.

Local entities who are involved in international trade can, however, set-off the cost of imports against the proceeds of exports as well as the proceeds of services and a range of other transactions, through the Customer Foreign Currency Account System referred to in section 7.3.3.

4.3 Other exports

4.3.1 Service receipts

Service receipts (as in the case of the proceeds of merchandise exports) must, except if credited to a C.F.C account, be surrendered within thirty days from the date of accrual, unless exemption is obtained.

4.3.2 Disposal of patents, copy-rights, trademarks, franchises and/or intellectual property in general

The disposal of any of the foregoing requires prior Exchange Control approval. Applications should be supported by the agreement or contract of sale. If not evident therefrom, a clear explanation of how the values were arrived at must accompany the application.

The transfer of South African owned intellectual property by way of sale, assignment or cession and/or the waiver of rights in favour of non-resident in whatever form, directly or indirectly, is not allowed without the prior approval of Exchange Control.