INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

DATE: 01 November 2024

DECLARATION OF IMPORTED CONTENT (FORM C2)

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ACRONYMS

APDP2	=Automotive Production and Development Programme – Phase 2
Component manufacturer	= Includes a component supplier
ITAC	= International Trade Administration Commission
OEM	= Vehicle manufacturer
SARS	= South African Revenue Service
B-BBEE	= Broad Based Black Economic Empowerment

CALCULATION OF IMPORTED CONTENT

GUIDELINES, RULES AND CONDITIONS TO DETERMINE AND DECLARE IMPORTED COMPONENTS AND IMPORTED RAW MATERIAL VALUES

1. BACKGROUND

1.1 This document should be read in conjunction with the APDP2 Regulations and applicable SARS legislation.

1.2 The right is reserved to amend any guideline/rule/condition pertaining to this programme or to impose new guidelines/rules/conditions if deemed necessary.

2. PURPOSE OF FORM C2

Motor vehicle manufacturers pay customs duty on a quarterly basis on the imported component value of components used in the manufacture of specified motor vehicles and automotive components. In addition to the imported component content contained in their own imports, the imported component content in domestic purchases must also be brought to account. Local suppliers/manufacturers of components declare the imported component value content of their goods by way of Form C2.

Additionally, for the purpose of calculating Volume Assembly Localisation Allowance (VALA), all imported components, imported raw materials must be deducted from the recommended retail list price/ FOB price to determine the local value addition to which the VALA percentage is applied.

Form C2 must be obtained for all imported components and raw materials used in the manufacture of specified motor vehicles and components.

3. ROLE OF ITAC

ITAC shall determine the method and basis of calculation, and method and conditions regarding the verification, of imported content values.

4. PENALTY CLAUSES

4.1 In terms of note 5.2 (a) to rebate item 317.04:

Registrants shall be liable for any customs duty underpaid resulting from the under declaration of the imported component value on Form C2.

4.2 In terms of note 5.2(c) to rebate item 317.04:

If Form C2 is not obtained or duly completed, the price at which the original equipment components were purchased by the registrant shall be deemed to be the imported component value in respect of the original equipment components.

5. B-BBEE REQUIREMENTS

5.1 All participants are obliged to submit a Form C2 and all participants (excluding material suppliers) must comply with the relevant B-BBEE provisions as set out in the Table below.

5.2 All participants (excluding material suppliers) must submit a valid B-BBEE certificate of compliance or sworn affidavit for Exempted Micro Enterprise (EME), as defined in the B-BBEE Codes of Good Practice ("Codes") according to the B-BBEE Act No 53 of 2003 as Amended by Act No 46 of 2013, showing compliance to the levels in Table below. Alternatively, participants must provide evidence of contributing to the Transformation Fund and these must be available for verification purposes by ITAC.

YEAR	COMPONENTS & TOOLING MANUFACTURERS	ORIGINAL EQUIPMENT MANUFACTURERS (OEMs)	NEW ENTRANTS
2021	No requirement to comply	Level 6 (six)	36 months from start of production date in SA, to reach the applicable levels.
2022	No requirement to comply	Level 4 (four)	
2023	No requirement to comply	Level 4 (four)	
2024	No requirement to comply	Level 4 (four)	

2025	Level 6 (six)	Level 4 (four)	
2026	Level 4 (four)	Level 4 (four)	

5.3 All participants (excluding materials suppliers) that are unable to meet the B-BBEE requirements as stipulated in the Table above may be considered after contributing to a Transformation Fund managed by the Automotive Industry Transformation Fund (AITF). Entry to this fund will require the participants (excluding material suppliers) to hold a minimum B-BBEE level 8 by 2024 to be deemed level 6 by 01 January 2025 and a minimum B-BBEE level 6 by 2025 to be deemed level 4 by 01 January 2026.

5.4 New manufacturing enterprises (excluding material suppliers) in South Africa must be B-BBEE compliant in terms of the B-BBEE codes following thirty-six (36) months from the start of production ("SOP") date in South Africa.

5.5 The participant must deem the value addition from non-compliant suppliers (excluding material suppliers) as non-qualifying at the weighted average purchase price in the quarter in which the Form C2 is received.

6. IMPORTED CONTENT VALUES

6.1 The declaration of imported content means the value for customs duty purposes of any imported components and raw materials (excluding consumables, petrol, distillate fuels, lubricating grease and oils) imported by or received from any person in SACU and used in the manufacture or assembly of automotive components, specified motor vehicles and automotive tooling.

6.2 Imported components and raw materials values, as declared on Form C2, is derived from the value for customs duty purposes of imported items used in the manufacture and assembly of specified motor vehicles and the manufacture of motor vehicle components. The reason why customs values are used is that it is the value placed on imported goods by SARS and is used in the calculation of duties payable and refund of duties. The value for customs duty purposes appears on the import documents and it is important for importers to ensure that their declarations comply with customs Regulations.

6.3 Imported content values are declared on a Form C2, see attached Annexure C1 for

an example and an explanation on the information needed.

6.4 If Form C2 is not obtained or duly completed, the price at which the original equipment components and raw materials were purchased by the registrant shall be deemed to be the imported content value in respect of the original equipment components and imported raw materials.

7. CALCULATION OF IMPORTED CONTENT VALUES

7.1 Care should be taken to ensure that all imported component and raw material values used in the production process are brought to account. If uncertainty should exist on whether a product is a component or a material, ITAC should be contacted for a ruling.

7.2 In the case where a limited number of different component and/or material types are imported, the foreign currency usage may be based on the weighted average value for customs duty purposes per unit of each component or type of material imported for the manufacture of the goods in question. The calculation will be per unit and the Customs documentation referred to will be that of the previous quarter.

Find attached Annexure C2 illustrating calculation procedures.

7.3 In the case where a large number of different components and/or raw material types are imported, the imported content values may be based on a “weighted average rate of exchange” based on customs values of the previous quarter. The exchange rate calculated may be applied to the selling prices as per the foreign invoice to determine imported component values. Care should be taken to ensure that there is a correlation between invoice values used to determine imported content values and values used to determine customs values.

The above calculation is based on the assumption that unit values will remain the same over a period and that different purchase prices are due to the fluctuation in the exchange rate. If the invoice price of the component and/or raw materials should increase/decrease during a quarter the manufacturer must revert to the method of calculation explained in 6.2

Find attached Annexure C3 illustrating calculation procedures.

7.4 Manufacturers may, if allowed by accounting and administration systems, bring the actual value for customs duty purposes of imported goods, into account when calculating imported content values.

7.5 The users of the above system should note that components referred to must have a unique identification number.

7.6 It should be noted that in ascertaining the transaction value of any imported goods in terms of Section 66(1) of the Customs and Excise Act, the Commissioner: South African Revenue Service (SARS) takes account of royalties and license fees as provided in Section 67(1)(c) of the Act. It is, therefore, advisable that a ruling obtained from the Commissioner: SARS in all instances where royalties and license fees are payable.

7.7 Where a component and/or raw material is supplied for the first time, it may be necessary to base the imported content values on imports/purchases during the same quarter.

7.8 Where no imports occur during a particular quarter or where the prices at which goods were imported are not representative of normal transaction values, the previous quarter's imported component and/or raw material values per unit will apply.

7.9 Consumables are not identifiable as integral or visible parts of the end product, such as petrol, distillate fuels, packing/wrapping, lubricating grease and prepared lubricating oils for engine, gearbox, steering case and drive-axle, etc should be excluded from standard and non-standard material values.

7.10 Materials and goods in bulk, such as steel sheeting, adhesives and paint, and goods that require cutting to length or shape, such as carpet in rolls and electrical cable, are not considered to be automotive components.

7.11 Importers should take care not to classify imported goods as materials, for APDP2 purposes, and declare the same goods as components in order to qualify for a drawback of duty with SARS.

7.12 The calculation of Imported content values should be done on a formal basis and working papers in this regard must be kept in safe custody for a period of five years

from the date of Form C2 and be available to ITAC officials upon request, for purposes of verification.

7.13 The final manufacturer shall be liable for correctness of the Form C2 received from its supplier. In the event that an ITAC verification audit reveals any inconsistency, the final manufacturer shall be held accountable.

7.14 Imported component and/or raw material values on any loss associated with the production process must be taken in account when computing Form C2.

Example: If 100 m^2 bovine hide (customs value R10 per m^2) needs to be imported to produce only 10 m^2 of leather suitable for the automotive industry, the imported component values per m^2 of leather will be R100. It should be noted that the imported component values per m^2 may be more if imported chemicals, paint pigments, etc. were used in the manufacturing/processing process.

7.15 It should be noted that, for Form C2 purposes, it is not necessary to take account of the values of opening and closing stocks when calculating imported component values.

8. SUBMISSION OF CERTIFICATES

8.1 Form C2 that will be used to declare the imported component values and/or raw material on components, supplied to participants in the automotive industry is shown in Annexure C1.

8.2 Reproduction of Form C2 is allowed. Changes or additions to the content, except in the case of optional data, are not allowed. It should be noted that the certificate must be completed in full and that failing to do so may render the certificate invalid.

8.3 Values must be entered in Rand and should not be expressed as a percentage or as a foreign currency.

8.4 Motor vehicle manufacturers, component manufacturers and component suppliers to the motor vehicle industry must obtain a certificate in respect of each type of component received during a quarter, i.e. the quarters ending 31 March, 30 June, 30 September and 31 December. Aforesaid will also apply in the case of a domestically manufactured component with no imported component and/or raw

material values whatsoever.

8.5 It should be noted that any incorrect information supplied on Form C2 can render the whole document null and void and may result in the purchase price of all items being regarded as imported content values.

8.6 The Imported content values shown on Form C2 for, say January to March deliveries, will be based on manufacturers' or suppliers' own imports during the previous quarter (October to December). The effective date of the Form C2 issued by the manufacturer supplier will read 01/01/20.... to 31/03/20....

8.7 In addition, the above manufacturers or suppliers will require Form C2s from their suppliers for components and/or raw materials delivered during the quarter October to December. The imported content values of these latter deliveries will be based on imports (or local purchases) during the quarter July to September.

8.8 The above is also referred to as the quarterly lag principle and is more fully illustrated in Annexure C4.

8.9 The forms in question, together with the underlying documents, books of account plus production records substantiating the certificates, must be kept in safe custody by motor vehicle manufacturers, component manufacturers/suppliers for at least five years and be available to officials of ITAC upon request for purposes of verification.

8.10 Should a manufacturer not make all relevant documentation available on request within a period of 30 days, the ITAC shall treat the imported content values on products as to be equal to the selling price thereof.

8.11 It is imperative that every supplier of motor vehicle components and/or raw material furnish their customers with the required forms so that they, in turn, can furnish their customers up the line with the correct information. Forms must be completed in full, must be numbered and signed by the issuing party.

8.12 Form C2s for a specific quarter must be available to users thereof within 14 days of the beginning of said quarter. For example C2s with an effective period of 01/01/2021 to 31/03/2021, applicable to January to March 2021 deliveries, must be

made available to the users thereof on or before 14/01/2021. As the above Form C2s will be based the manufacturers' or suppliers' own imports as well as local purchases during the quarter October to December 2020, the certificates in question can be made available as early as 01/01/2021.

9. THE ROLE OF THE AUDITOR

9.1 The system that first tier component suppliers use to calculate Imported component and/or raw material values as well as the actual calculations, and preparation of the forms, must be audited once a year by a practicing accountant and auditor, registered in terms of Sections 37 and 38 of the Auditing Profession Act, 2005 (Act 26 of 2005), as part of the normal audit procedure. This expense is for the cost of the component and raw material manufacturer/supplier issuing Form C2.

9.2 The assurance report must state that the system to calculate imported content values complies with the information document. A report must be kept at the offices of the component manufacturer/supplier and a copy thereof must be provided on request to the ITAC or SARS.

9.3 If a component and or/material raw material manufacturer/supplier, on request by the ITAC, does not render an assurance report, covering any 12 month period up to 30 March each year, by 30 June of that year, the Imported component and/or raw material values in respect of all goods supplied during the period which the report covers may be deemed to be the price at which such goods were sold, subject to the above.

9.4 Should the external auditors issue a qualified report, the manufacturer/ supplier must notify ITAC in writing of their findings within 30 days after the date of the audit report. Registered letters should be addressed to, or attention: Senior Manager: Tariff Investigations II:

International Trade Administration Commission of South Africa Private Bag X753
PRETORI
A, 0001

9.5 Should the component and/or raw material manufacturer fail to submit the auditors' qualified report to ITAC, within the period stipulated above, the imported content values in respect of all goods supplied during the period which the report covers, whether supplied for home consumption or export, may be deemed to be the price at which such goods were sold.

9.6 Needless to say, SARS will have to recover in part or in total, as the case may be, all benefits derived from erroneous Form C2 information.

9.7 ITAC may also instruct second and third tier component/ raw material manufacturers to comply with the above.

Attached find Annexure C5 for an example of an assurance report.

9.8 It is important to note that should goods be deemed to contain a 100% imported content, all benefits utilised by OEMs or other component manufacturers will have to be recovered by the SARS.

9.9 Refer to Annexure C8 for Form C2 values when taking into account compliance to B-BBEE requirements under the APDP2.

10. CONCLUSION

As in the past, the co-operation of all concerned is vital to ensure that the correct information is submitted to SARS by the motor vehicle manufacturers in their quarterly returns and that the correct imported component and/or raw material values is declared. ITAC, in order to fulfil its task as set out above, will verify imported component and/or raw material values, starting from the OEM and proceeding from there to the manufacturer/ supplier and right down the line to where the component or its raw material had their origin.

ANNEXURE C1

	Form C2

DECLARATION CERTIFICATE OF IMPORTED CONTENT VALUES IN RESPECT OF COMPONENTS AND RAW MATERIALS IN TERMS OF THE NOTES TO THE ITAC REGULATIONS

FORM C2 NO: 1 **EFFECTIVE FROM :** 2 **TO :** 2

REPLACES FORM NO: 3 **EFFECTIVE FROM :** 4 **TO:** 4

B-BBEE LEVEL: 5

TOTAL NUMBER OF LINES: 6

					DUTY PURPOSES	**VALA PURPOSES**	
LINE NO	**COMPONENT OR PART NO**	**DESCRIPTION**	**UNIT OF MEASUREMENT**	**UNIT PRICE**	**IMPORTED COMPONENT VALUE - R**	**IMPORTED COMPONENT VALUE - R**	**IMPORTED RAW MATERIAL VALUES- R**
7	8	9	10	11	12	13	14

NAME OF MANUFACTURER/SUPPLIER: 15

ADDRESS: 16

17

: **IMPORTER'S CUSTOMS CODE NUMBER:**

18

TELEPHONE NO: 19 **E-MAIL ADDRESS:** 19

CONTACT PERSON: 20

I 21 **IN MY CAPACITY AS** 22 **OF**

23 **HEREBY DECLARE THAT THE IMPORTED CONTENT VALUES OF THE GOODS DESCRIBED HEREIN IS TRUE AND CORRECT AND COMPLIES WITH THE PROVISIONS OF ITAC REGULATIONS.**

SIGNED: 24 **DATE** 25

OPTIONAL DATA:

26

NOTE: ALL SECTIONS OF THIS DOCUMENT MUST BE COMPLETED IN FULL

(This document must be printed in black ink on white paper and the dimensions thereof must be 297mm x 210mm)

CONTINUATION SHEET: Form C2

Form C2 NO: 01 **EFFECTIVE DATE:** 02

NAME OF MANUFACTURER/SUPPLIER SUPPLIER: 15

					DUTY PURPOSES ONLY	VALA PURPOSES ONLY	
LINE NO	**PART NO**	**DESCRIPTION**	**UNIT OF MEASUREMENT**	**UNIT PRICE- R**	**IMPORTED COMPONENT VALUE - R**	**IMPORTED COMPONENT VALUE - R**	**IMPORTED RAW MATERIAL VALUES- R**
7	8	9	10	11	12	13	14

SIGNATURE: 24 **DESIGNATION:** 22 **DATE:** 25

1. Form C2 no, the participant issuing the certificate must insert his own unique number.

2. Effective date, the date from which the certificate will be effective.

3&4 The number and effective date of the Form C2 to be replaced.

5. B-BBEE level or indication of contribution to Transformation Fund.

6. Total number of lines. (e.g. If the particular Form C2 was issued for one component only the number 1. must be entered, if the Form C2 covers more than one item the number of the last item on the continuation sheet must be entered.)

7. Indicating the number of items - starting at 1, continuing on the continuation sheet.

8. Component/ material or part number.

9. Description.

10. Unit or measurement should be the same as that reflected on the invoice.

11. Unit Price

12. Imported component value for duty purposes only

13. Imported component value for VALA purposes only

14. Imported raw material value for VALA purposes only

15. Name of manufacturer/supplier

16 & 17. Address of material/component manufacturer

18. Importer's custom code number.

19. Contact details **.**

20. Name of the contact person.

21, 22&23. Name and designation of the company official taking responsibility for the preparation of the form of the certificate.

24 &25. Signature and date

26. Optional data, if necessary.

CALCULATION OF IMPORTED COMPONENTS USED IN THE MANUFACTURING PROCESS OF VEHICLES WHERE A LIMITED NUMBER OF COMPONENTS WERE IMPORTED

1. The example represents numbers and values applicable to a specific product type, the same calculation will be carried out for other product types imported.

DATE	NUMBER OF UNITS	CUSTOMS VALUE PER IMPORT DOCUMENTATION
01 JAN	100	R 1 000
17 JAN	200	R 2 500
11 FEB	150	R 1 875
21 FEB	250	R 3 125
07 MARCH	125	R 2 500
25 MARCH	175	R 2 500
TOTAL	**1 000**	**R13 500**

Weighted average customs value = Total customs value / Total number of units
= R13 500 / 1 000

= R13.50 per unit

2. Same example as above but an additional 500 units of the same product were sourced from a local supplier. According to the Form C2 received from the local supplier the imported component values applicable to the product is R1 per unit.

Imported component value in local units (500 x R1.000) = R 500
Imported component value in imported units, as above = R13 500
TOTAL = R14 000

Weighted average customs value = Total customs value / Total number of units

= R14 000 / 1 500

= R9.333 per unit

CALCULATION OF IMPORTED COMPONENTS USED IN THE MANUFACTURING PROCESS OF VEHICLES WHERE A LARGE NUMBER OF DIFFERENT COMPONENT TYPE WERE IMPORTED

1. The example represents the total value of all products imported during a specific quarter, values as per import documentation.

Total US$ value of goods imported	US$ 1 000 000
Total customs value of goods imported	ZAR6 879 123

Weighted average customs value = Total US$ / Total ZAR

= 1 000 000 / 6 879 123

= 0.145367

If a 1 000 of a specific product was imported for US$10 000 the Imported component values per component will be ((US$10 000 / 1 000) / 0.145367) R68.791.

2. Same example as above but an additional 500 units of the same product was sourced from a local supplier. According to the Form C2 received from the local supplier the imported component values applicable to the product is R1 per unit.

Imported component value in local units (500 x R1.000)	= R500
Imported component value in imported units (US$10 000 / 0.145367)	= R68791
TOTAL VALUE	= R69 291

Weighted average customs value = Total customs value / Total number of units

= R69 291 / 1 500

= R46.194 per unit

CALCULATION OF IMPORTED RAW MATERIAL USED IN THE MANUFACTURING PROCESS OF VEHICLES WHERE A LIMITED NUMBER OF RAW MATERIALS WERE IMPORTED

1. The example represents numbers and values applicable to a specific product type, the same calculation will be carried out for other product types imported.

DATE	NUMBER OF UNITS (kg)	CUSTOMS VALUE PER IMPORT DOCUMENTATION
01 JAN	500	R 1 000
17 JAN	200	R 2 500
11 FEB	300	R 1 875
21 FEB	500	R 3 125
07 MARCH	125	R 2 500
25 MARCH	175	R 2 500
TOTAL	**1 800**	**R13 500**

Weighted average customs value = Total customs value / Total number of kgs
= R13 500 / 1 800
= R7.50 per kg

2. Same example as above but an additional 500 kilograms of the same product were sourced from a local supplier. According to the Form C2 received from the local supplier the imported component values applicable to the product is R2 per kg.

Imported raw value in local kgs (500 x R2.000) = R1 000
Imported component value in imported units, as above = R13 500
TOTAL = R14 500

Weighted average customs value = Total customs value / Total number of units
= R14 500 / 2 300
= R6.30 per kg

CALCULATION OF IMPORTED RAW MATERIAL USED IN THE MAN UFACTURING PROCESS OF VEHICLES WHERE A LARGE NUMBER OF DIFFERENT MATERIAL TYPE WERE IMPORTED

1. The example represents the total value of all products imported during a specific quarter, values as per import documentation.

Total US$ value of goods imported	US$ 1 000 000
Total customs value of goods imported	ZAR7 896 666

   Weighted average customs value = Total US$ / Total ZAR

   = 1 000 000 / 7 896 666

   = 0.1266357

   If a 1 000 kgs of a specific product was imported for US$10 000 the Imported raw material value per kilogram will be ((US$10 000 / 1 000) 0.1266357) R78.967.

2. Same example as above but an additional 500 kilograms of the same product was sourced from a local supplier. According to the Form C2 received from the local supplier the imported component values applicable to the product is R2 per unit.

   Imported component value in local units (500 x R1.000) = R10 000
   Imported component value in imported units (US$10 000 / 0.1266357) = R78 966
   TOTAL VALUE = R88 966

   Weighted average customs value = Total customs value / Total number of kgs

   = R88 966/ 1 500

   = R59.311 kg

ANNEXURE C6

THE QUARTERLY LAG PRINCIPLE

Manufacturing/supply line: Company A - Final manufacturer, buys all production inputs from company B; Company B - Sells all goods to company A, buys all production inputs from company C; Company C - Sells all goods to company B, buys all production inputs from company D; Company D - Sells all goods to company C.

	Effective period of Form C2 = period in which goods were sold:	**Imported content values calculation based on production inputs during the period:**	**"Local Imported content", calculated by multiplying units purchased by Imported content values per unit or unit of measure as indicated on Form C2 supplied by seller with an effective period of:**	**Imported content values on own imports, as per Customs documentation, for the period:**
Company A	01/01/2021 to 31/03/2021	01/10/2020 to 31/12/2020	01/10/2020 to 31/12/2020	01/10/2020 to 31/12/2020
Company B	01/10/2020 to 31/12/2020	01/07/2020 to 30/09/2020	01/07/2020 to 30/09/2020	01/07/2020 to 30/09/2020
Company C	01/07/2020 to 30/09/2020	01/04/2020 to 30/06/2020	01/04/2020 to 30/06/2020	01/04/2020 to 30/06/2020
Company D	01/04/2020 to 30/06/2020	01/01/2020 to 31/03/2020	01/01/2020 to 31/03/2020	01/01/2020 to 31/03/2020

ANNEXURE C7

Imported Component Values (Form C2) Illustrative Reasonable Assurance Report

Assurance provider's/auditor's letterhead

The Board of Directors/Members
[Company/close corporation name]
[Address]

Our Ref:

[Date]
Dear Sirs

INDEPENDENT ASSURANCE PROVIDER'S REPORT[1] ON THE DECLARATION OF IMPORTED CONTENT VALUES (FORM C2)

We have undertaken a reasonable assurance engagement of the Declaration of Imported Content Values (Form/s C2) (the C2 Form/s), issued by <insert company/close corporation name> (the Company/Close Corporation), for the year/period ended <insert date>.

The Directors'/Members' Responsibility for the C1 Form/s

The directors/members are responsible for the preparation of the C2 Form/s in accordance with the requirements of Part E of the Automotive Production and Development Programme (APDP2) Regulations (the Regulations) and the *Declaration of Imported Content Values* (*Info Doc C/<insert latest available version>*) (the Guidelines) issued by the International Trade Administration Commission of South Africa (ITAC). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the Form/s that is/are free from material misstatement, whether due to fraud or error.

Our Independence and Quality Control

We have complied with the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express an opinion on the C2 Form/s based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with the International Standard on Assurance Engagements 3000, *Assurance Engagements other than Audits or Reviews of Historical Financial Information* (ISAE 3000), issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain reasonable assurance about whether the C2 Form/s is/are free from material misstatement.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about the amounts and disclosures in the Form/s. The nature, timing and extent of procedures selected depend on the assurance provider's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error, in the Form/s. In making those risk assessments; we considered internal control relevant to the Company's/Close Corporation's preparation of the C2 Form/s.

Our reasonable assurance engagement also includes[2]:

- Enquiring of management, and where appropriate, those charged with governance regarding the entity's compliance with the requirements of the Regulations and the Guidelines.
- Obtaining and documenting an understanding of the entity's business activities and the processes and systems for preparing the C2 Form/s.
- Evaluating the design and testing the implementation and operating effectiveness of controls that are relevant, to ensure the proper preparation of the C1 Form/s.
- For a sample of items included in the C2 Form/s, agreeing the information to the entity's underlying accounting and production records, appropriate source documentation, and reperforming calculations, as appropriate.
- Obtaining appropriate written representations from management.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the C2 Form/s issued by <insert company/close corporation name> for the year/period ended <insert date> is/are prepared, in all material respects, in accordance with the requirements of the Regulations and the Guidelines.

Restriction on Distribution and Use of this Report

Our report is intended only for the addressee and ITAC for the purpose indicated in the introductory paragraph and may not be suitable for another purpose. Consequently, our report and the C2 Form/s should not be distributed to or used by other parties.

Auditor's Signature

Name of individual registered auditor
Registered Auditor

Date of auditor's report

Auditor's address

[1] When the registered auditor is the auditor of the entity the heading may read ‘Independent auditor’s report on … ’ instead of ’Independent assurance provider’s report’.

[2] To be adapted as necessary. It is not intended that the procedures described are as detailed as in a work programme.

ANNEXURE C8- EXAMPLES OF CALCULATING SMD AND FORM C2 VALUES WHEN TAKING INTO ACCOUNT COMPLIANCE TO B-BBEE REQUIREMENTS UNDER THE APDP2.

STANDARD MATERIALS AND COMPONENT DECLARATION AND FORM C2 EXAMPLES WITH B-BBEE IMPLEMENTATION (material suppliers are not required to comply with the B-BBEE requirements under the APDP2):

NB: The calculations below are referring to Tier 1 to the OEM for example purposes, however the same calculations are also applicable to all APDP participants (excluding material suppliers) within the automotive value chain.

EXAMPLE 1: Tier 1 purchases and declarations from Tier 2 and own imports.

The following is an example of how suppliers (excluding material suppliers) who are not compliant to B-BBEE requirements under the APDP2 are required to complete their declarations. For ease of understanding in this example Tier 1 is compliant to the B-BBEE level as per the APDP2 requirements. Tier 1 purchases materials from two Tier 2 suppliers (1 compliant and 1 non-compliant) and components from one compliant Tier 2 supplier. Tier 1 further imports its own components.

Tier 1 Purchases & Declarations from Tier 2 & Own Import

				Own Import & Tier 2 (your supplier's) Form C2s & SMDs				
Description	Compliant / Non-Compliant	Purchase Price form suppliers (a)	UoM	Standard material (c)	Total non std material (d)	Imported components (Duty) (e)	Imported Components (VALA) (f)	Imported material (g)
Tier 2 Material	Compliant	200	KG	100	0	0	0	0
Tier 2 Material	Non-compliant	300	Each	0	200	0	0	20
Tier 2 Component	Compliant	60	Each	0	40	40	40	0
Own import	Compliant	500	Each	0	500	500	500	

Explanation of the purchases made by Tier 1 from Tier 2 suppliers & own import:

- Tier 1 purchases standard material from a B-BBEE compliant Tier 2 supplier at a purchase price of R200 per kg. Tier 2 provided Tier 1 with an SMD declarations of the standard material declared at R100 per kg;

- Tier 1 purchases non-standard material from a non-compliant B-BBEE Tier 2 supplier at a purchase price of R300 each. Tier 2 provided Tier 1 with an SMD and Form C2 declarations. The Form C2 reflected that Tier 2 supplier directly imported material at a value of R20 and further added other local non-standard material valued at R180, resulting to a total non-standard material of R200 declared on the SMD supplied to Tier 1;

- Tier 1 purchases components from a compliant Tier 2 supplier at a purchase price of R60 each. Tier 2 provided Tier 1 with an SMD and Form C2 declarations. The Form C2 shows that Tier 2 supplier directly imported components at a value of R40 and supplied these components to Tier 1. The SMD supplied to Tier 1 also shows a non-standard material value of R40 as there were no other components or materials that Tier 2 supplier added to the imported components supplied to Tier 1;

- Tier 1 directly imported its own components at a value of R500 each.

Tier 1 Form C2 and SMD calculations: Tier 1 is B-BBBEE Compliant

				Tier 1 Calculations (Compliant)				
Description	Purchase Price form supplier (a)	UoM	BOM Qty/ Usage (b)	Standard material (b) x (c)	Total non std material (b) x (d)	Imported components (Duty) (b) x (e)	Imported Components (VALA) (b) x (f)	Imported material (b) x (g)
Tier 2 Material	200	KG	0,5	50	0	0	0	0
Tier 2 Material	300	Each	2	0	400	0	0	40
Tier 2 Component	60	Each	2	0	80	80	80	0
Own import	500	Each	1	0	500	500	500	0
			Tier 1 Materials Declaration (Compliant):	**50**	**980**	**580**	**580**	**40**

Explanation of the Form C2 and SMD calculation for a B-BBBE complaint Tier 1:

- Tier 1 purchased standard materials from a compliant Tier 2 supplier at a purchase price of R200 per kg, however Tier 2 declared the raw material as standard material to Tier 1 at a value of R100 per KG on its SMD. Tier 1 has only utilized 0.5 kg of the total material purchased from Tier 2 in its manufacturing process and therefore Tier 1 will declare a value of R50 (R100 *0.5) under standard material column of its SMD that will be declared to the OEM.

- Tier 1 purchased non-standard material from a non-compliant Tier 2 supplier at a purchase price of R300 each, however Tier 2 declared the raw material as non-standard material to Tier 1 at a value of R200 each on its SMD. Out of the non-standard material value of R200 declared by Tier 2 to Tier 1 on its SMD, material worth R20 was imported and R180 worth of material sourced locally by Tier 2.Tier 1 utilized 2 of each raw material sourced from Tier 2 in its manufacturing process and therefore Tier 1 will declare a value of R400 (R200*2) under non-standard material column of its SMD that will be declared to the OEM. Furthermore, Tier 1 will declare a value of R40 (R20*2) under the imported raw material column on the Form C2 to be declared to the OEM. Non- compliant material suppliers are not subjected to B-BBEE requirements under the APDP2, therefore the value at which the material is declared on the SMD or Form C2 by Tier 2 supplier will be the same value that Tier 1 will use to calculate its SMD or Form C2 declarations to the OEM.

- Tier 1 purchased components from a compliant Tier 2 supplier at a purchase price of R60 each. The components were imported by the Tier 2 supplier and supplied to Tier 1. Tier 2 supplier provided an SMD declaration to Tier 1 with a non-standard material value of R40 and a Form C2 with imported component for both duty and VALA declared at a value of R40 each. Tier 1 utilized two of the components sourced from Tier 2 supplier in its manufacturing process and therefore Tier 1 will declare a value of R80 (R40*2) under its non-standard material column of its own SMD that will be declared to the OEM. Furthermore, Tier 1 will also declare a value of R80 under the imported component column for both Duty and VALA on its own Form C2 to be declare to the OEM.

- Tier 1 imports its own components at a purchase price of R500 each. Tier 1 utilizes 1 imported component in its manufacturing process. Tier 1 supplier will declare a value of R500 (R500*1) under its non-standard material column of its own SMD that will be declared to the OEM. Furthermore, Tier 1 will declare a value of R500 under both imported component column for both Duty and VALA on the Form C2 which will be declared to the OEM.

- The total standard material value amounts to R50 and the total non-standard material value amounts to R980 on the SMD to be declared by Tier 1 to the OEM;

- The total imported component value for duty will be R580, the total imported component value for VALA will be R580 and the total imported raw material will be R40 on the Form C2 to be declared by Tier 1 to the OEM.

Example 2: Tier 1 purchases and declarations from Tier 2 and own imports

Tier 1 is compliant to B-BBEE level as per the APDP2 requirements. Tier 1 purchases materials from two Tier 2 suppliers (1 non-compliant and 1 compliant) and components from one non- compliant Tier 2 supplier. Tier 1 further imports its own components.

Tier 1 Purchases & Declarations from Tier 2 & Own Import

				Own Import & Tier 2 (your supplier's) Form C2s & SMDs				
Description	Compliant / Non-Compliant	Purchase Price form suppliers (a)	UoM	Standard material (c)	Total non std material (d)	Imported components (Duty) (e)	Imported Components (VALA) (f)	Imported material (g)
Tier 2 Material	Non-compliant	200	KG	100	0	0	0	0
Tier 2 Material	Compliant	300	Each	0	200	0	0	20
Tier 2 Component	Non-compliant	60	Each	0	60	40	60	0
Own import	Compliant	500	Each	0	500	500	500	20

Calculations of Compliant Tier 1, purchasing materials from both compliant and non-compliant supplier, components from non- compliant suppliers as well as its own imports:

					Tier 1 Calculations (Compliant)				
Description	Compliant/ Non-compliant	Purchase Price (a)	UoM	BOM Qty (b)	Standard material (b) x (c)	Total non std material (b) x (d)	Imported components (Duty) (b) x (e)	Imported Components (VALA) (b) x (f)	Imported material (b) x (g)
Tier 2 Material	Non-compliant	200	KG	0,5	50	0	0	0	0
Tier 2 Material	Compliant	300	Each	2	0	400	0	0	40
Tier 2 Component	Non-compliant	60	Each	2	0	120	80	120	0
Own import	Compliant	500	Each	1	0	500	500	500	0
				Tier 1 Materials Declaration	**50**	**1020**	**580**	**620**	**40**

(Compliant):

Explanation of the Form C2 and SMD calculation for a B-BBBE complaint Tier 1:

- Tier 1 purchased standard materials from a non-compliant Tier 2 supplier at a purchase price of R200 per kg, however Tier 2 declared the raw material as standard material to Tier 1 at a value of R100 per kg on its SMD. Tier 1 has only utilized 0.5 kg of the total material purchased from Tier 2 in its manufacturing process and therefore Tier 1 will declare a value of R50 (R100 *0.5) under standard material column of its SMD that will be declared to the OEM. Non- compliant material suppliers are not subjected to B-BBEE compliant, therefore the value at which the material is declared on the SMD or Form C2 by Tier 2 supplier will be the same value that Tier 1 will use to calculate its SMD or Form C2 declarations to the OEM.

- Tier 1 purchased non-standard material from a compliant Tier 2 supplier at a purchase price of R300 each, however Tier 2 declared the raw material as non-standard material to Tier 1 at a value of R200 each on its SMD. Out of the non-standard material value of R200 declared by Tier 2 to Tier 1 on its SMD, material worth R20 was imported by Tier 2, supplied to Tier 1 and declared under the form C2 supplied to Tier 1. Tier 1 utilized 2 of each raw material sourced from Tier 2 in its manufacturing process and therefore Tier 1 will declare a value of R400 (R200*2) under non-standard material column of its SMD that will be declared to the OEM. Furthermore, Tier 1 will declare a value of R40 (R20*2) under the imported raw material column on the Form C2 to be declared to the OEM.

- Tier 1 purchased components from a non- compliant Tier 2 supplier at a purchase price of R60 each. The components were imported by the Tier 2 supplier and supplied to Tier 1. Tier 2 supplier provided an SMD declaration to Tier 1 with a non-standard material value of R60 and a Form C2 with imported component for both duty at a value of R40 and VALA declared at a value R60 each. Tier 1 utilized two of the components sourced from Tier 2 supplier in its manufacturing process and therefore Tier 1 will declare a value of R120 (R60*2) under its non-standard material column of its own SMD that will be declared to the OEM. Furthermore, Tier 1 will also declare a value of R120 (R60*2) under the imported component column for VALA and a value of R80 (R40*2) for the imported component column for duty on its own Form C2 to declare to the OEM.

- Tier 1 imports its own components at a purchase price of R500 each. Tier 1 utilizes 1 imported component in its manufacturing process. Tier 1 supplier will declare a value of R500 (R500*1) under its non-standard material column of its own SMD that will be declared to the OEM. Furthermore, Tier 1 will declare a value of R500 under both imported component for Duty and VALA on the Form C2 which will be declared to the OEM.

- The total standard material value amounts to R50, the total non-standard material value amounts to R1020 on the SMD to be declared by Tier 1 to the OEM.

- The total Imported component value for duty amounts to R580, the total imported content value for VALA amounts to R620 and the total imported material value amounts to R40 on the Form C2 to be declared by Tier 1 to the OEM.

Example 3: Tier 1 purchases from Tier 2 suppliers who does not supply SMD and Form C2 declaration & Own import.

Tier 1 is compliant to B-BBEE level as per the APDP2 requirements. Tier 1 purchases material from two Tier 2 suppliers (1 who is compliant and 1 who is not compliant), components from a compliant Tier 2 supplier, however, does not receive any SMD and Form C2 declarations from any of the Tier 2 suppliers. Tier 1 further directly imports its own components.

Tier 1 Purchases from Tier 2 with no SMD and Form C2 Declaration & Own Import

Description	Compliant / Non-Compliant	Purchase Price from suppliers (a)	UoM
Tier 2 Material	Compliant	200	KG
Tier 2 Material	Non-compliant	300	Each
Tier 2 Component	Compliant	60	Each
Own import	Compliant	500	Each

Tier 1 Form C2 and SMD calculations: Compliant Tier 1 who purchases materials and components from Tier 2 that do not provide Form C2 and SMD declarations.

				Tier 1 Calculations (Compliant)				
Description	Purchase Price form supplier (a)	UoM	BOM Qty/ Usage (b)	Standard material	Total non std material (a) x (b)	Imported components (Duty) (a) x (b)	Imported Components (VALA) (a) x (b)	Imported material (a) x (b)
Tier 2 Material	200	KG	0,5	0	100	0	0	100
Tier 2 Material	300	Each	2	0	600	0	0	600
Tier 2 Component	60	Each	2	0	120	120	120	0
Own import	500	Each	1	0	500	500	500	0
			Tier 1 Materials Declaration (Compliant):	**0**	**1320**	**620**	**620**	**700**

Explanation of SMD and Form C2 calculation of a compliant Tier 1 supplier who purchases materials and components from Tier 2 suppliers who do not provide SMD and Form C2 declarations:

- Tier 1 is compliant to B-BBEE level and receives material and components from Tier 2 supplier who are either compliant or non-compliant but who do not provide any SMD or Form C2 declarations for the materials and components supplied must base their SMD and Form C2 calculations on the full purchase prices of the materials and components sourced from all Tier 2 suppliers.

Example 4: Tier 1 purchases and declares from Tier 2 and Own Import, however Tier 1 is non-compliant to B-BBEE level as per the APDP2 requirements:

Tier 1 is non- compliant to B-BBEE level as per the APDP2 requirements. Tier 1 purchases materials from 2 Tier 2 suppliers (1 compliant and 1 non-compliant) and components from 1 compliant Tier 2 supplier. Tier 1 further imports its own components.

Tier 1 is non-compliant to B-BBEE level

				Own Import & Tier 2 (your supplier's) Form C2s & SMDs				
Description	Compliant / Non-Compliant	Purchase Price from suppliers (a)	UoM	Standard material (c)	Total non std material (d)	Imported components (Duty) (e)	Imported Components (VALA) (f)	Imported material (g)
Tier 2 Material	Compliant	200	KG	100	0	0	0	0
Tier 2 Material	Non-compliant	300	Each	0	200	0	0	20
Tier 2 Component	Compliant	60	Each	0	40	40	40	0
Own import	Non-compliant	500	Each	0	500	500	500	

Tier 1 Form C2 and SMD calculations: Tier 1 not compliant:

Tier 1 Calculations (Non-Compliant)									**New Cost Price Column (to calc own VA)**
Description	Purchase Price from suppliers (a)	UoM	BOM Qty (b)	Standard material (b) x (c)	Total non std material (b) x (d)	Imported components (Duty) (b) x (e)	Imported Components (VALA) (b) x (f)	Imported material (b) x (g)	Tier 1 Cost of materials (Price x QtyPer) (a) x (b)
Tier 2 Material	200	kg	0,5	50	0	0	0	0	100 (h)
Tier 2 Material	300	Each	2	0	400	0	0	40	600 (i)
Tier 2 Component	60	Each	2	0	80	80	80	0	120 (j)

Own import	500	Each	1	0	500	500	500	0	500 (k)
Tier 1 Materials Declaration (Compliant):				**50**	**980**	**580**	**580**	**40**	
		How to determine your own value addition (VA)							
		1. Calculate Tier 1 Cost of materials (Price x BOM Qty Per):							**1320**
		2. Subtract cost of materials from Selling Price to calculate VA							
		Selling Price to your Customer:							**2300**
		Less: BOM cost of materials at purchase price (h) + (i) + (j) + (k):							**1320**
		Own Value Addition Added to Non-Standard Components and Imported Components (VALA) (L):							**980**
				Standard material	Total non std material	Imported components (Duty)	Imported Components (VALA)	Imported material	
Tier 1 Materials Declaration (Compliant):				**50**	**980**	**580**	**580**	**40**	
Add own value addition as non-compliant Tier 1:					**980 (L)**	N/A	**980 (L)**	N/A	
				50	**1960**	**580**	**1560**	**40**	
				Declaration for non-compliant supplier					

Explanation of the Form C2 and SMD calculation for a B-BBBE non- complaint Tier 1:

- Tier 1 is non- compliant to B-BBEE level as per the APDP2 requirements. Tier 1 is purchasing raw materials from two Tier 2 suppliers (1 who is compliant and 1 who is non-compliant), components from one compliant Tier 2 supplier and directly imports components. Tier 1 receives SMD and Form C2 declarations from his Tier 2 material and component suppliers.

- The raw materials supplied by Tier 2 suppliers which Tier 1 incorporate in his SMD/ Form C2 calculations to be declared to the OEM will be calculated by making use of the SMD and Form C2 values declared by Tier 2 suppliers as these categories are not subjected to B-BBEE compliance requirements. In a case where Tier 2 material suppliers do not supply any SMD/Form C2 to Tier 1, the full purchase price will be utilized by Tier 1 to calculate their own SMD/Form C2 values.

- The values declared by the compliant Tier 2 component suppliers will be multiplied by the BOM usage to determine the value of the non-standard material, imported component for duty, imported component for VALA as the supplier is compliant and has provided their declarations to tier 1. In a case where Tier 2 component supplier does not supply any SMD/Form C2 to Tier 1, the full purchase price will be utilized by Tier 1 to calculate their own SMD/Form C2 values.

- Tier 1 is also required to calculate his own value addition by calculating the total cost of materials/components used in its production process by making use of the full purchase of its supplier multiplying the costs with the BOM usages to determine the cost price of the final product.

- The calculated total cost price will be deducted from the selling price of the final product that Tier 1 is selling to the OEM to determine value addition on the product supplied.

- Tier 1's value addition will be added to the calculated non-standard material values as well as the imported component values for VALA to determine the total non-standard material value and the total imported component value for VALA which Tier 1 will declare to the OEM.