

THE INFLUX OF SECOND-HAND CAR DEALERS, **BOTSWANA UNIFIED REVENUE SERVICE (BURS)** SHUTS DOWN MOGODITSHANE



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Mogoditshane, a suburb of Gaborone, the capital city of Botswana, is known for its bustling automotive industry and it has numerous car dealerships specializing in secondhand imported cars. The car dealerships source second-hand cars from various countries, Japan, Singapore, United Kingdom, Germany and other countries, depending on market demand, availability, and specific customer preferences.

Currently, Botswana does not impose any restriction on importation or exportation of motor vehicles. It has laws governing the importation of secondhand cars, which are primarily aimed at ensuring safety, environmental compliance, and revenue collection





BACKGROUND OF THE CASE

- The case involved a sophisticated trade-based money laundering (TBML) scheme orchestrated by the secondhand import car dealers based in Mogoditshane. The scheme utilized complex trade transactions to disguise the illicit origins of funds and facilitate their integration into the legitimate financial system.
- The case was initiated based on
 - ✓ Intelligence received from other law enforcement agencies on suspicions of various forms of crime ranging from money laundering, duty evasion and drug dealing, among others.
 - ✓ Routine Inspections by Customs authorities detected irregularities in documentations, cargo discrepancies also prompting further investigations.
 - ✓ Car dealerships are vulnerable to money laundering risks as cash is used for most of the transactions and may easily be mixed with illegitimate funds.



CUSTOMS OFFENCES COMMITTED

Customs offences present various opportunities for criminals to launder illicit funds through trade transactions. These offences can be leveraged as part of this sophisticated TBML schemes.

Allegations were that the garage owners were

1. Undervaluation of the imports – allowed the importers to launder illicit funds by moving them across borders disguised as legitimate trade payments.
2. Falsifying invoices - deliberately underreporting the value of the goods on the customs declaration forms, they aim to pay lower import duties, taxes, and tariffs than what would be required for the actual value of the goods
3. Smuggling and contraband trafficking alongside the import vehicles
4. Flouting Customs Warehouse Regulations – mismatched shipments, warehouse entries not like what is recorded in the bond

INVESTIGATIVE TECHNIQUES

1. Supply Chain analysis

2. Background Checks

3. Financial Analysis

4. Document Review

5. Informant network

6. Physical searches

7. Interviews

- To check for inconsistencies in import/export documentation, discrepancies in vehicle pricing or valuation. Stringiest controls were administered at the border entry points.
- Conducted background checks on dealership owners, directors, key employees, and business partners to identify any criminal affiliations.
- Banks were contacted for suspicious financial transactions relating to international trade, such as payments for imported goods, currency exchanges, or transfers of funds between local importers and foreign suppliers. A financial analysis of the car dealership was also conducted. including examining bank records, financial statements, transactional data, and tax filings, The banking sector - holds valuable financial information that helped us as investigators uncover illicit trade activities, detect money laundering schemes, and managed to disrupt the cross-border trade fraud network
- Reviewed and analyzed import/export documentation, sales contracts, invoices, bills of lading, and customs declarations to identify any discrepancies, inconsistencies, or fraudulent practices
- An informant network was developed within the import car dealerships to gather insider information
- Physical searches were done at the trading premises and where applicable at the home of the concerned traders or close associates..

INTERAGENCY COOPERATION

- Financial Intelligence Agency (FIA) – Regulates the Import Motor industry
- Botswana Police Service
- Companies and Intellectual Property Authority - A search with the Company and Intellectual Property Authority (CIPA) database, to ascertain beneficial ownership
- Department of Immigration – Most of the garage owners are of foreign nationalities
- Department of Transport – to check ownership of some of the vehicles found in the garages which were *registered*.





INTERNATIONAL COOPERATION

- In the absence of international cooperation, the transactional value of the cars were used to determine value of the imported car.

BURS collects **P41 million** **from tax flouting Mogoditshane** **car dealers**



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CASE RESULTS/ASSET RECOVERY

- The Customs Act of Botswana provides customs officials with the authority to detain goods when there are suspicions of customs offenses, such as smuggling, false declarations, or other violations of customs regulations. The detention of goods allowed investigators to conduct further inspections, investigations and inquiries to determine the nature and legality of the goods in question. (Section 375)
- Goods detained by customs may be released upon payment of any duties, taxes, fines, or penalties owed, or upon satisfaction of other conditions specified by customs authorities.
- BURS has the authority to impose penalties of up to triple the value of goods or P1 million pula whichever is greater. Section 96 (8) of the Customs Act, 2018 these are applicable depending on the circumstances of the case.
- P41 million was collected in duties and taxes in this investigation from the import car traders.



THANK YOU