

EXPLANATORY MEMORANDUM

AMENDMENT FOR IMPLEMENTATION ON 1 JANUARY 2022

The amendments to the Schedules to the Customs and Excise Act, 1964 (the Act), are implemented **with effect from 1 January 2022**.

The amendments include the following:

- the implementation of the HS 2022 in Part 1 of Schedule No. 1; and
- consequential amendments for HS 2022 in Part 2A, 2B, 3D and 3E of Schedule No. 1, Schedule Nos. 3, 4, 5 and 6 to the Act.

1. IMPLEMENTATION OF THE HS 2022

The amendment in Part 1 of Schedule No. 1 includes approximately -

- Deletions: 258
- Insertions: 558
- Substitutions: 50

It should be noted that where a 6-digit subheading is amended to an active subheading with rates of duty or amended from an active subheading with rates to a heading with no rates of duty, the 6-digit subheading will be included in the substitutions.

The amendment of the HS Nomenclature includes 351 sets of amendments. These amendments, includes *inter alia*, the following:

- New subheadings have been created for Unmanned Aerial Vehicles (UAVs), commonly referred to as drones, to simplify the classification of these aircraft.

- The amendments for glass fibres and articles thereof and for metal forming machinery are to recognise the technological advances in these sectors. This will assist in the collection of trade statistics.
- Flat panel display modules have now been provided for separately as a product in their own right. This will simplify classification of these modules by removing the need to identify final use.
- The HS 2022 introduces new subheadings for specific chemicals controlled under the Chemical Weapons Convention, for certain hazardous chemicals controlled under the Rotterdam Convention and for certain persistent organic pollutants controlled under the Stockholm Convention.
- Changes have been introduced for hydrofluorocarbon gases controlled under the Kigali Amendment of the Montreal Protocol.

In terms of Article 3 to the HS Convention, Contracting Parties will in practice be obliged to modify their Customs tariff and statistical nomenclature to incorporate the HS headings and subheadings.

SARS has given effect to the WCO recommendations by incorporating the proposed changes in Part 1 of Schedule No. 1 of the Act.

The 8-digit national level is amended to maintain the current duty structure and duty rate phase downs in terms of South Africa's obligations in terms of trade agreements.

2. CONSEQUENTIAL AMENDMENTS FOR HS 2022

2.1 AMENDMENT OF PART 2A OF SCHEDULE NO. 1

With the implementation of HS 2022, heading 38.24 is deleted and replaced with 38.27 in Part 1 of Schedule No. 1. Heading 38.27 is inserted to provide for mixtures

containing halogenated derivatives of methane, ethane or propane, not elsewhere specified or included.

New provisions for reconstituted tobacco, tobacco and nicotine substitutes, intended for inhalation without combustion have now been created separately. Thus, provisions for excise duty on these products have also been created accordingly.

Mixtures containing halogenated derivatives of methane, ethane or propane, not elsewhere specified or included are subject to excise duties in terms of Part 2A of Schedule No. 1. As a result of the new insertion in Part 1 of Schedule No. 1, the structure of item 106.50 in Part 2A of Schedule No. 1 has been amended to accommodate the new subheadings.

2.2 AMENDMENT OF PART 2B OF SCHEDULE NO. 1

In Part 1 of Schedule No. 1, new tariff subheadings 8517.13 and 8517.71 are created to provide for “smartphones”, communication antennae and their parts respectively. Furthermore, new subheadings under tariff subheadings 8525.81, 8525.82, 8525.83 and 8525.89 are created to facilitate the monitoring and control of dual use items.

The structure of Part 2B of Schedule No. 1 is amended to accommodate the new provisions mentioned above.

2.3 AMENDMENT OF PART 3D OF SCHEDULE NO. 1

Tariff item 151.02.05/ 8704.90.81 is deleted as a consequence of the deletion in Part 1 of Schedule No. 1 that provided for other vehicles, double-cab, of a vehicle mass not exceeding 2 000 kg or a G.V.M. not exceeding 3 500 kg, or of a mass not exceeding 1 600 kg or a G.V.M. not exceeding 3 500 kg per chassis fitted with a cab.

2.4 AMENDMENT OF PART 3E OF SCHEDULE NO. 1

New subheadings in tariff subheadings 8704.41, 8704.42, 8704.51 and 8704.52 are created to provide for hybrid motor vehicles and tariff subheading 8704.60 caters for electric vehicles in Part 1 of Schedule No. 1, respectively. Furthermore, new heading 88.07 is created to provide for parts of unmanned aircraft (drones).

The structure of Part 3E of Schedule No. 1 is amended to accommodate the new provisions mentioned above.

2.5 AMENDMENT OF SCHEDULE NO. 3

In terms of HS 2022 tariff subheadings 3402.11 to 3402.19 and 3402.20 are deleted in Part 1 of Schedule No.1 and substituted by new tariff subheadings 3402.31 to 3402.50. Consequently, the relevant rebate items in Part 1 of Schedule No. 3 are amended accordingly.

The structure of tariff heading 70.19, which provides for glass fibres, is also amended and certain woven fabrics provided for separately. Part 1 in Schedule No.3 is amended to provide for the change in the structure.

Rebate items 316.17/85.29/01.04, 316.23/8529.90/02.06 and 316.23/8529.90/03.06 that provide for display panels are amended as a consequence to the amendment in Part 1 of Schedule No. 1.

2.6 AMENDMENT OF SCHEDULE NO. 4

As a consequence, to the restructuring of tariff subheading 8462.10, the relevant rebate item in Part 2 of Schedule No. 4 is amended to accommodate the new provisions in Part 1 of Schedule No.1.

2.7 AMENDMENT OF SCHEDULE NO. 5

As a result of the restructuring of tariff subheading 8701.20 in Part 1 of Schedule No. 1 which provides for road tractors, refund items 537.03/8701.20/01.06 and 537.04/8701.20/01.06 are amended accordingly to reflect the changes.

2.8 AMENDMENT OF SCHEDULE NO. 6

The tariff items specified in Part 2A in Schedule No. 1 are linked to commodity codes in Part 1 of Schedule No. 1 as well as the rebate items in Part 1E of Schedule No. 6 to the Act.

As a result, new provisions are created for tobacco products in Part 1E of Schedule No. 6 in line with the changes in the two parts of Schedule No. 1.

General Note 2(c) in Schedule No. 6 as well as Notes 1, 2 and 4 to Part E of Schedule No. 6 are also amended to reflect the changes and insertions in the structure of the tobacco products.