

**CUSTOMS AND EXCISE ACT, 1964**

**EXPLANATORY MEMORANDUM-TYRE LEVY**

**AMENDMENTS OF PARTS 1, 3D AND 3E OF SCHEDULE NO.1;  
SCHEDULES NO. 3, 4, 6 AND 8;  
RULES IN TERMS OF SECTIONS 54F AND 120;  
FORMS DA 178, DA 178.01, DA 178.02, DA 178.03, DA 178.04;  
AND NOTES ON THE COMPLETION OF FORM DA 178 AND ITS ANNEXES**

The draft amendments include the following:

- Amendment of Part 1 of Schedule No. 1;
- Amendment of Part 3D of Schedule No. 1;
- Amendment of Part 3E of Schedule No. 1;
- Amendment of Schedule No. 3;
- Amendment of Schedule No. 4;
- Amendment of Schedule No. 6;
- Amendment of Schedule No. 8;
- Rule Amendments in terms of sections 54F and 120;
- Forms DA 178, DA 178.01, DA 178.02, DA 178.03, DA 178.04; AND
- Notes on the completion of form DA 178 and its annexes

**1. IMPLEMENTATION OF THE TYRE LEVY**

Government proposed the introduction of an environmental levy on new and re-treaded pneumatic tyres as announced by the Minister of Finance in the Budget Reviews of 2015 and 2016.

The amendment of Part 3 of Schedule No. 1, by the insertion of Section E, to provide for the environmental levy on tyres will be enacted through the Rates and

Monetary Amounts and Amendment of Revenue Laws Bill and the Taxation Laws Amendment Bill that was introduced in Parliament on 26 October 2016.

The environmental levy on tyres will come into effect on 1 February 2017.

## **2. Consequential amendments to the tyre levy**

### **2.1 Amendment of Part 1 of Schedule No. 1**

Chapter 98 provides for original equipment components. The tariff subheadings in Chapter 98 are amended to insert a provision for tyres that will be subject to the tyre levy separately. Tariff subheadings 9801.00.10 to 9801.00.55 are amended to exclude tyres. This should assist with the declaration of tyres imported under chapter 98.

### **2.2. Amendment of Part 3D of Schedule No. 1**

Part 3D to Schedule No. 1 provides for environmental levy on carbon dioxide (CO<sup>2</sup>) emissions of motor vehicles. With the implementation of the Harmonized System (HS) 2017 new types of motor vehicles are introduced in Part 1 of Schedule No. 1, e.g. hybrid vehicles. As a consequence Part 3D of Schedule No.1 is amended to insert these new provisions.

### **2.3 Amendment of Part 3E of Schedule No. 1**

The Notes to Part 3E of Schedule No. 1 are amended to exclude re-treaded tyres of a kind used on motor cars (including station wagons and racing cars), and those of a kind used on buses and lorries. The calculation on imported / locally manufactured tyres if the actual mass is not available is also inserted.

With the implementation of HS 2017, new subheadings for the tyres and motor vehicles are inserted in Part 1 of Schedule No. 1 with effect from 1 January 2017.

New provisions are created under the heading 87.02 for **Motor vehicles for the transport of ten or more persons, including the driver** as follows:

- with both compression-ignition internal combustion piston engine (diesel or semi-diesel) and electric motor as motors for propulsion;
- with both spark-ignition internal combustion reciprocating piston engine and electric motor as motors for propulsion; and
- only electric motor for propulsion as motor for propulsion.

New provisions are also created under the heading 87.03 for **Motor cars and other motor vehicles principally designed for the transport of persons (excluding those of heading 87.02), including station wagons and racing cars** as follows:

- with both spark-ignition internal combustion reciprocating piston engine and electric motor as motors for propulsion, excluding those capable of being charged by plugging to external source of electric power;
- with both compression-ignition internal combustion piston engine (diesel or semi-diesel) and electric motor as motors for propulsion, excluding those capable of being charged by plugging to external source of electric power;
- with both spark-ignition internal combustion reciprocating piston engine and electric motor as motors for propulsion, capable of being charged by plugging to external source of electric power;
- with both compression-ignition internal combustion piston engine (diesel or semi-diesel) and electric motor as motors for propulsion, capable of being charged by plugging to external source of electric power; and
- with only electric motor for propulsion.

## 2.4 Amendment of Schedule No. 3

Note 7.1(a) to rebate item 317.03 is being substituted in Part 1 of Schedule No. 3. Rebate item 317.03 provides for a rebate of the full customs duty on components for specified motor vehicles manufactured in terms of the Automotive Production Development Plan (APDP).

The Note is, therefore, amended to add the exclusion of the tyre levy from the calculation of the retail selling price when calculating the duty of vehicles manufactured in the SACU market.

The Note will read as follows:

“In the case of specified motor vehicles manufactured for the SACU market, the recommended retail list price (including options), (exclusive of VAT, excise duty in terms of Section B in Part 2 of Schedule No. 1 and the environmental levy in terms of Sections D **and E** in Part 3 of Schedule No.1) applicable to such motor vehicle(s) at the time of production thereof and ready for sale; or”.

## 2.5 Amendment of Schedule No. 4

Note 1(a) in Part 5 of Schedule No. 4 is amended to insert a reference to the tyre levy.

Note 1(a) provides for a refund of any environmental levy paid in terms of any item in Schedule No. 4, except for the environmental levy applicable to tyres of vehicles cleared in terms of the provisions of items 460.07 and 460.17.

The Note will read as follows:

“1. For the purposes of Chapter VA of the Act and this Schedule -

(a) any imported goods referred to in any item of this Schedule shall, subject

to compliance with any relevant Note or rule, be admitted under rebate of environmental levy as contemplated in Note 3 of the General Notes to this Schedule to the extent that such rebate can be applied, except -

- (i) in respect of the rebate specified in item 412.09;
- (ii) in rebate item 460.17, the environmental levy specified in Sections D **and E** of Part 3 of Schedule No. 1; and
- (iii) **in respect of rebate item 460.07, the environmental levy specified in Section E of Part 3 of Schedule No. 1.**

## **2.6 Amendment of Schedule No. 6**

Rebate items 680.04 is inserted to provide for a rebate of full duty on new pneumatic tyres specified in levy items 152.01 and 152.02, liable to the tyre levy in Part 3E of Schedule No. 1, which have been moved from a licensed manufacturing warehouse (VM) to a licensed special manufacturing warehouse (VS), for use in the manufacturing of vehicles.

Rebate item 680.05 is inserted to provide for a rebate of full duty on new pneumatic tyres specified in levy items 152.01 and 152.02, on which an environmental levy has been paid that have been removed from the licensed special manufacturing warehouse (VS), are found to be off-specification or otherwise defective and are returned to the licensed manufacturing warehouse (VM).

Rebate item 681.06 is inserted to provide for a refund provision that will allow a refund claim to a licensee of customs and excise manufacturing warehouse in respect of new pneumatic tyres on which an environmental levy has been paid and that are subsequently exported by a licensee of a customs and excise manufacturing warehouse through the licensee's own tyre distribution centre to a BLNS country as defined in rule 54F.01.

Rebate item 681.07 is inserted to provide for a refund provision for goods liable to the environmental levy specified in any item of Part 3 of Schedule No. 1 which, after entry or deemed entry for home consumption and payment of duty by the licensee of a customs and excise manufacturing warehouse as contemplated in Chapter VA of the Act and its rules, are removed by such licensee to a consignee outside the common customs union.

## **2.7 Amendment of Schedule No. 8**

Schedule No. 8 is amended to insert item 805.25 for the manufacture of goods specified in Section E to Part 3 of Schedule No. 1. Schedule No. 8 provides for licences and item 805.25 is added to prescribe the licence applicable to the manufacture of tyres.

## **3. Rule Amendments in terms of sections 54F and 120**

Rules 54FC.01 to 54FC.04 are inserted in terms of sections 54F and 120 to specifically regulate the administration of the environmental levy on tyres. These rule amendments are in addition to rules 54F.01 to 54F.14 that will apply to the tyre levy with any necessary changes that the context may require. The draft tyre levy rule amendments must therefore be read with the current rules 54F.01 to 54F.14 to obtain a complete view of the proposed tyre levy administration. The current rules can be found on the SARS website under Customs & Excise Rules, 1995 at the link <http://www.sars.gov.za/Legal/Secondary-Legislation/Rule-Amendments/Pages/default.aspx>

**4. Forms DA 178, DA 178.01, DA 178.02, DA 178.03, DA 178.04 and Notes on the completion of form DA 178 and its annexes**

The newly created draft tyre levy forms are provided for as part of the draft rule amendments and are as follows:

- DA 178 – the quarterly account (return) to be completed by the licensed manufacturing warehouse (VM) and the licensed special manufacturing warehouse (VS);
- DA 178.01 – the VM production annexure;
- DA 178.02 – the “in bond removal” from the VM to the VS annexure;
- DA 178.03 – the “in bond receipt” acquittal in the VS annexure;
- DA 178.04 – the “return of tyres” from the VS back to the VM annexure; and
- Notes on the completion of the DA 178 and its annexes

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