

EXPLANATORY MEMORANDUM

AMENDMENTS FOR IMPLEMENTATION ON 1 JANUARY 2019

The draft amendments of the Schedules to the Customs and Excise Act, 1964, Act No. 91 (the Act), are implemented **with effect from 1 January 2019**.

The amendments in Part 1 of Schedule No. 1 include –

Deletions:	69
Insertions:	47
Substitutions:	85

The proposed amendments are in respect of –

- the phase-down of the rates of duty for 2019 in terms of the Economic Partnership Agreement (EPA) between the European Union (EU) and the Southern African Development Community (SADC) EPA States in Part 1 of Schedule No. 1; and
- various technical amendments to Schedule Nos. 1, 2 and 3 to the Act.

1. The phase-down of duties in terms of EPA

In terms of the EPA which entered into force on 10 October 2016, South Africa has an obligation to amend the rates of duty on certain products listed in Part 1 of Schedule No. 1 to the Act on an annual basis, with effect from 1 January of a particular year.

The phase-down of duties in terms of the EPA for 2019 relates to the following:

- 1.1 Fish classifiable in tariff subheadings 0302.13, 0302.14, 0303.14 and 0305.41, in Section A, Annex II, listed as staging category “B*” shall be reduced to a preference margin of 33 per cent of the most favoured nation (MFN) rate of duty; and
- 1.2 Fish in Chapters 3 and 16, in Section A, Annex II, listed as staging category “C*” shall be reduced to a preference margin of 60 per cent of the MFN rate of duty.

2. Technical amendment to the Schedules of the Act

2.1 Amendments in Part 1 to Schedule No. 1

2.1.1 Requests from the South African Sugar Association for the creation of separate tariff subheadings to provide for liquid sugars

The South African Sugar Association requested the creation of separate 8-digit tariff subheading for liquid sugar, classified in tariff subheading 1702.90. This will enable the industry to closely monitor the movement of sugar syrup cane.

The following tariff subheading is substituted:

1702.90	Other, including invert sugar and other sugar and sugar syrup blends containing in the dry state 50 per cent by mass of fructose:
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The following tariff subheadings are inserted:

1702.90.10	Cane or beet sugar syrup
1702.90.90	Other



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2.1.2 Requests from the Department of Environmental Affairs for the creation of separate tariff subheadings for substances that contribute to the depletion of the ozone layer that result in global warming

Tariff heading 3824.7 provide for mixtures containing halogenated derivatives of methane, ethane or propane.

The Department of Environmental Affairs (DEA) indicated that the tariff structure under tariff heading 3824.7 posed challenges in relation to the processing of permit applications, collating and reporting consumption figures for the country that must be submitted to the Montreal Protocol Ozone Secretariat and Multilateral Fund Secretariat.

DEA requested that the 8-digit tariff subheadings created in November 2017, under tariff subheadings 3824.71, 3824.72, 3824.73, 3824 74 and 3824.79 be deleted. They also requested that tariff subheading 3824.78 be amended to include for specific mixtures containing halogenated derivatives of methane, ethane or propane.

The creation of 8-digit tariff subheadings in Part 1 of Schedule No. 1 will enable DEA and Government at large to monitor and control the consumption of ozone depleting substances and HFCs more effectively. According to trade data, no imports were recorded from the subheadings that are currently being deleted.

2.1.3 Request from Propet S.A (Pty) Ltd for the creation of new tariff subheadings for Polyethylene Terephthalate Strapping classifiable in tariff subheading 3920.62.10

F.C Dubbelman & Associate CC on behalf of Propet S.A (Pty) Ltd (the Applicant) submitted a request for the creation of separate 8-digit tariff subheadings for

Polyethylene Terephthalate Strapping (PET), classified in tariff subheading 3920.62.10

The applicant motivated that the scope covering PET strapping is too wide. The new 8-digit tariff subheadings will enable the industry to monitor competitive products.

The following tariff subheading is deleted:

3920.62.10	Of a thickness exceeding 0.18 mm but not exceeding 6 mm
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The following tariff subheadings will be inserted:

3920.62.11	Of a width exceeding 6 mm but not exceeding 35 mm
3920.62.19	Other

PETCO supported the application to provide for PET strapping, classifiable in tariff subheading 3920.62.10.

2.1.4 Request from Propet S.A (Pty) Ltd for the creation of new tariff subheadings for Polyethylene Terephthalate Monofilament classifiable in tariff subheading 5404.19

F.C Dubbelman & Associate CC on behalf of Propet S.A (Pty) Ltd (the Applicant) submitted a request for the creation of separate tariff subheadings for Polyethylene Terephthalate (PET) Monofilament, classifiable in tariff subheading 5404.19.

As motivation for their application, the applicant cited that PET monofilament is currently covered in a residual tariff subheading covering a variety of other products and it is impossible to gather vital import data for the product. Separate 8-digit tariff subheadings are required in order for the SACU industry to be more

competitive, address costing aspects and to benchmark themselves against imports of like products.

PETCO also supported the application to provide for PET monofilament products, classifiable in tariff subheading 5404.19.

The following tariff subheading is substituted:

5404.19	Other:
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The following tariff subheadings are inserted:

5404.19.10	Of poly(ethylene terephthalate) with a diameter exceeding 0,18 mm
5404.19.90	Other

2.1.5 Request from Hanes Inc. for the creation of separate tariff subheadings for brassieres classifiable in tariff subheading 6212.12

Hanes Inc. requested the creation of separate 8-digit tariff subheadings under brassieres, classifiable in tariff subheading 6212.12. The reasons for the creation of 8-digit tariff subheadings is to make a distinction between bra's with closures and those without closures such as certain sports bra's.

6212.12	Brassiéres:
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The following tariff subheadings are inserted:

6212.12.10	Incorporating hooks and eyelets or other fastening devices
6212.20.90	Other

2.1.6 Request from the South African Footwear and Leather Industries Association for the creation of separate tariff subheadings for safety footwear classifiable in Chapter 62

The South African Footwear and Leather Industries Association (the applicant) requested the creation of separate tariff subheadings for safety footwear, classifiable in Chapter 62. The 8-digit tariff subheadings will assist in monitoring imports and trade data applicable to the footwear industry.

The following tariff subheadings will be substituted:

6401.99	Other:
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The following tariff subheadings will be inserted:

6401.99.10	Incorporating a protective toe cap of other material (e.g. fibreglass, kevlar or carbon fibre), with an impact strength of 200 Joules or more
6401.99.90	Other
6403.99.40	Incorporating a protective toe cap of other material (e.g. fibreglass, Kevlar or carbon glass), with an impact strength of 200 Joules or more
6404.19.19	Incorporating a protective toe cap of other material (e.g. fibreglass, Kevlar or carbon glass), with an impact strength of 200 Joules or more
6404.20.50	Incorporating a protective toe cap of other material (e.g. fibreglass, kevlar or carbon fibre), with an impact strength of 200 Joules or more
6404.20.9	Other:

2.1.7 Request from the Southern African Metal Cladding and Roofing Association for the creation of new tariff subheadings in Chapter 72

The Southern African Metal Cladding and Roofing Association (the applicant) requested the creation of separate tariff subheadings under tariff subheadings 7210.41, 7210.49, 7210.61, 7210.70, 7210.90 and 7225.92.

As reasons for the application, the applicant stated that the new subheadings will assist the industry in monitoring imports on both informal and formal sectors of the metal cladding industry.

The following tariff subheadings will be substituted:

7210.41	Corrugated:
7210.49	Other:
7210.61	Plated or coated with aluminium-zinc alloys:
7210.70	Painted, varnished or coated with plastics:
7210.90	Other:
7225.92	Otherwise plated or coated with zinc:

The following tariff subheadings will be inserted:

7210.41.10	Of a thickness of less than 0.45 mm
7210.41.90	Other
7210.49.10	Of a thickness of less than 0.45 mm
7210.49.90	Other
7210.61.10	Of a thickness of less than 0.45 mm
7210.61.90	Other
7210.70.10	Of a thickness of less than 0.45 mm
7210.70.90	Other
7210.90.10	Of a thickness of less than 0.45 mm
7210.90.90	Other
7225.92.10	Of a thickness of less than 0.45 mm
7225.92.90	Other

2.1.8 Request for the creation of new tariff subheadings for copper coated wire that is used in the welding industry, classified in tariff subheadings 7217.30 and 7229.90

F.C Dubbelman & Associate CC on behalf of the South African Wire Association (Pty) Ltd (SAWA) submitted a request for the creation of separate tariff subheadings for copper coated wire that is used in Metal Inert Gas welding (MIG) in the welding industry. The products are classifiable in tariff subheadings 7217.30 and 7229.90.

Tariff subheading 7217.30 provides for wire of iron or non-alloy steel, plated or coated with other base metals. Tariff subheading 7229.90 provides for wire of alloy-steel.

The wire in question is covered under the two tariff subheadings which provides for a wide scope of other wires. This makes it difficult for the welding industry to obtain product specific information on imported goods. The 8-digit tariff subheadings will assist in monitoring imports and trade data.

The following tariff subheadings are substituted:

7217.30	Plated or coated with other base metals:
7229.90	Other:

The following tariff subheadings will be inserted:

7217.30.10	Plated or coated with copper
7217.30.90	Other
7229.90.10	Plated or coated with copper
7229.90.90	Other

2.1.9 Request from Harvey Roofing Products (Pty) Ltd for the creation of new tariff subheadings for steel roofing tiles, classifiable in tariff subheading 7308.90.90

Xikhovha Advisory (Pty) Ltd submitted an application of behalf of Harvey Roofing Products (Pty) Ltd (the applicant) requesting for the creation of separate tariff subheadings for steel roofing tiles, classifiable in tariff subheading 7308.90.90.

As reasons for the application, the applicant stated that the tiles they produce are covered in a residual tariff subheading. As a result, it is difficult to monitor competitive imports.

A separate 8-digit tariff subheading will assist the applicant in monitoring imports trade data.

The following tariff subheading is deleted:

7308.90.90	Other
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The following tariff subheadings will be inserted:

7308.90.9	Other:
7308.90.91	Roof tiles, with dimensions not exceeding a width of 397 mm, a length of 1 675 mm and a thickness of 0,45 mm
7308.90.99	Other

2.1.10 Request from Defy for the creation of 8-digit tariff subheadings on washing machines

F.C Dubbelman & Associate CC on behalf of the Defy Appliance (Pty) Ltd (the applicant) submitted a request for the creation of an 8-digit tariff subheading for washing machines of a dry linen capacity exceeding 10 kg, classifiable in tariff subheading 8450.20. Fully automated washing machines currently resort in a



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residual tariff subheading. The applicant would like to monitor import trade data on top loading, fully automatic washing machines.

The following tariff subheading will be inserted:

8450.20.20	Top load machines, fully automatic
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2.1.11 Request from the Non-Ferrous Metals Industry Association for the creation of 8-digit tariff subheadings on scrap lead acid batteries as well as on lead acid, of a kind used for starting piston engines

The Non-Ferrous Metals Industry Association (the applicant) requested the creation of 8-digit tariff subheadings for waste and scrap lead acid batteries, classifiable in tariff subheading 8548.10. The industry is unable to gather trade data on exported battery waste and scrap as there is currently no distinction between lead electric accumulators waste and scrap and other kinds of accumulators.

The applicant motivated that the scope of waste and scrap lead acid batteries is too wide as it covers all waste and scrap of *inter alia* electric accumulators and not just those of lead acid. The new 8-digit tariff subheadings will enable the industry to identify and monitor the imports/exports of lead-acid batteries waste and scrap.

Goods classifiable in tariff subheading 8548.10 are subject to export control measures administered by the International Trade Administrative Commission.

The following tariff subheading is substituted:

8548.10	Waste and scrap of primary cells, primary batteries and electric accumulators; spent primary cells, spent primary batteries and spent electric accumulators:
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The following tariff subheadings are inserted:

8548.10.10	Of electric accumulators of lead-acid, of a kind used for starting pistons engines, of tariff heading 8507.10
8548.10.90	Other

The applicant also requested the creation of separate 8-dig tariff subheading on lead acid, a kind used for starting piston engines with dimensions not exceeding 185 mm in length x 125 mm in width x 195 mm in height, classifiable in tariff subheading 8507.10.

The following subheadings are deleted:

8507.10.05	With dimensions not exceeding 185 mm (length) x 125 mm (width) x 195 mm (height)
8507.10.10	Other

The following tariff subheading will be inserted:

8507.10.1	With dimensions not exceeding 185 mm (length) x 125 mm (width) x 195 mm (height):
8507.10.11	Used
8507.10.19	Other
8507.10.90	Other

2.2 AMENDMENT OF PART 2A OF SCHEDULE NO. 1

The items in Part 2A of Schedule No. 1 are being deleted as a consequence to a deletion in Part 1 of Schedule No. 1 tariff subheadings as per paragraph 2.1.1.

2.3 AMENDMENT IN PART 1 OF SCHEDULE NO. 3

Rebate item 315.05/7308.90.90/01.01 in Part 1 of Schedule No. 3 is being deleted as a consequence to a deletion in Part 1 of Schedule No. 1. Rebate item 315.05/7308.90.99/01.01 is inserted.

2.4 AMENDMENT IN PART 2 OF SCHEDULE NO. 4

Rebate item 460.02/12.06/01.04 in Part 2 of Schedule No. 4 provides for sunflower seed, in such quantities as the Director-General: Department of Agriculture, Forestry and Fisheries, may allow by specific permit issued on or before 10 May 2002

The rebate provision is deleted as it was created for goods entered for home consumption on or before 10 May 2002.

Rebate item 460.07/39.19/01.04 in Part 2 of Schedule No. 4 provides for plates, sheets, film, foil and strip, of polyethylene terephthalates, self-adhesive, with removable protective substances, entered on or before 12 April 1997, in such quantities and subject to such conditions as the International Trade Administration

Commission, may allow by specific permit issued on or before 12 April 1996

The rebate provision is deleted as it was created for goods entered for home consumption on or before 12 April 1997.

2.5 AMENDMENT IN PART 3 OF SCHEDULE NO. 5

Provisions relating to the Motor Industry Development Programme (MIDP) were replaced with the Automotive Production and Development Programme (APDP) that came into effect in 1 January 2013. The provisions of MIDP were in place from 2005 up to and including 31 December 2012.

Note 1 to rebate item 537.00 applicable to MIDP is deleted and Notes 2 is renumbered as Note 1. The Note has reference to refund item 537.01 applicable to MIDP.

Refund items 537.01, 537.01/8701.20/01.06, 537.01/87.02/01.04, 537.01/87.03/01.04, 537.01/87.04/01.04 and 537.01/87.06/01.04 are being deleted, as they were applicable to MIDP.

Refund item 538.00/00.00/02.00 was not immediately removed from the Schedules of the Act. This decision was taken as import rebate credit certificates applicable to APDP were applicable until the end of 2015. Clients still qualified to claim their refund after the period of two years. The rebate item will be deleted with effect from 1 January 2019. Two years has now lapsed since the implementation of APDP as such stakeholders are now acquainted with the new provisions