

## **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 amendment for HS 2022 in Part 2A, 2B and 3E of Schedule No. 1, Schedule Nos. 3 and 4 to the Act.

#### **1. IMPLEMENTATION OF THE HS 2022**

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

- Deletions: 241
- Insertions: 541
- Substitutions: 124

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.

The 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 aircrafts.
- The amendments for glass fibres and articles thereof and for metal forming machinery are to recognise that the current subheadings do not adequately

represent 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 that will simplify classification of these modules by removing the need to identify final use.
- The HS 2022 Edition introduces new subheadings for specific chemicals controlled under the Chemical Weapons Convention (CWC), for certain hazardous chemicals controlled under the Rotterdam Convention and for certain persistent organic pollutants (POPs) controlled under the Stockholm Convention.
- Changes have been introduced for 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**

### **21 AMENDMENTS IN PART 2A OF SCHEDULE NO. 1**

With the implementation of HS 2022, heading 38.24 is deleted and replaced with 38.27. Heading 38.27 is inserted to provide for mixtures containing halogenated derivatives of methane, ethane or propane, not elsewhere specified or included.

These chemicals are subject to excise duties in terms of Part 2A of Schedule No. 1. As a result of the new insertion, the structure of item 106.50 Part 2A of Schedule No. 1 has been amended to accommodate the new subheadings.

## **22 AMENDMENT OF PART 2B OF SCHEDULE NO. 1**

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

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

## **23 AMENDMENT OF PART 3E OF SCHEDULE NO. 1**

New subheadings in tariff heading 8704.60 have been created to provide for electric vehicles in Part 1 of Schedule No. 1. Furthermore, new heading 88.07 has been created to provide for parts of unmanned aircraft (drones). The structure of Part 3E of Schedule No. 1 is being amended to accommodate the new provisions mentioned above.

## **24 AMENDMENT OF SCHEDULE NO. 3**

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

**25 AMENDMENT OF SCHEDULE NO. 4**

As a consequence, to the restructuring of tariff subheadings 8462.10 in HS 2022, the relevant rebate item number in Part 2 of Schedule No. 4 is being amended to accommodate the new provisions as a consequence to the new insertions in Part 1 of Schedule No.1 in HS 2022.

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