

EXPLANATORY MEMORANDUM

AMENDMENT 2014

Amendments of Schedules Nos. 1, 2, 3, 4, and 5 to the Customs and Excise Act, 1964 (the Act), in respect of the phase-down of duties for 2014 in terms of the EFTA Trade Agreement, reports made by the International Administration Commission (“the Commission” or “ITAC”), as well as some technical amendments.

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

Deletions:	1
Substitutions:	1003
Insertions:	11

The amendments in Parts 1 and 2 of Schedule No. 2 include –

Deletions:	35
Substitutions:	0
Insertions:	48

The proposed amendments for 1 January 2014 are in respect of -

- the phase-down of the rates of duties for 2014 in terms of the EFTA Trade Agreement with Iceland, Norway, Switzerland and Liechtenstein;
- the reduction in the general rate of duty on paper and paperboard in terms of the recommendation made by the Commission in Report No. 151; and
- various technical amendments to Schedules Nos. 1, 2, 3, 4, and 5 to the Act.

The customs system may need more time to implement the back-end administration of Schedule No.2 and the amendments to Schedule No.1 to insert 8-digit subheadings in 2501.00, 2903.72.20, 4011.10 and 4011.20, require permits issued by ITAC. To allow for any changes in this regard, the implementation of these amendments are postponed until **14 February 2014**.

1. The phase-down of duties in terms of the EFTA Trade Agreement

In terms of the EFTA Trade Agreement, which entered into force on 1 May 2008, South Africa has an obligation to amend the rates of duties 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 EFTA Trade Agreement for 2014 relates to the following:

- Fish and other marine products in Annex IV, table 3 categorised as List 4;
- industrial products in Annex VII, table 1 categorised as List 3, List 4 and List 5;
- agricultural products in Annex VII, table 2 categorised as List 4 and List 5; and
- agricultural products in Annex I of the Agricultural agreement between the SACU Member States and Switzerland, table 1 categorised as List 3.

2. Reduction in the rate of duty on paper and paperboard of tariff subheading 4811.41.90

The general rate of duty on paper and paperboard of tariff subheading 4811.41.90 is reduced to 2% in terms of the recommendation made by the Commission in Report No. 151 dated 8 February 2006.

3. Technical amendments to the Schedules of the Act

The technical amendments mentioned in the following paragraphs are in respect of–

3.1 Additional tariff subheadings in Part 1 of Schedule No. 1

Additional tariff subheadings have been added in Chapters 25 and 29 of Part 1 of Schedule No. 1 for the reasons indicated in the following subparagraphs:

3.1.1 Request for separate 8-digit tariff subheadings to differentiate between salt subject to export control classifiable in tariff subheadings 2501.00

SARS has identified the need to create separate 8-digit tariff subheadings to aid with the administration of the export control requirements applicable to salt classifiable in tariff subheading 2501.00.

A permit issued by ITAC is required, but not all the goods covered by the current 6-digit subheading structure are subject to the export control requirements.

The creation of separate 8-digit subheadings will assist SARS in reducing the administrative burden and improve trade facilitation.

The following new 8-digit tariff subheadings are created:

2501.00.10	Not for human consumption
2501.00.90	Other

3.1.2 Separate 8-digit tariff subheading to provide for bromomethane (methyl bromide) as listed in the Montreal Protocol and ITAC Import Regulations

South Africa is a signatory to the Montreal Protocol on substances that deplete the ozone layer. The ozone depleting substances are also subject to an import permit issued by the Commission in terms of its Import Regulations.

To better identify and control all the ozone depleting substances on importation, an additional 8-digit subheading is inserted in Part 1 of Schedule No. 1.

The following new 8-digit tariff subheading is inserted:

2903.39.20	Bromomethane (methyl bromide)
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3.1.3 Request from the South African Tyre Manufacturers Conference (Pty) Ltd (SATMC) for the creation of additional 8-digit subheadings to identify tyres with a load index not exceeding 121

SATMC (the applicant) submitted a request for additional 8-digit subheadings for passenger and commercial tyres to allow for the monitoring of different rim size categories of tyres with a load index not exceeding 121.

The splitting of the subheadings will allow the industry to collect valuable trade data specific to a certain rim size range. This data can assist with the early detection of possible disruptive imports and it can also assist to improve production planning and business strategy. It will also assist SARS to check reference pricing.

The following 8-digit subheading is deleted:

4011.20.15	With a load index not exceeding 121
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The following new 7-digit and 8-digit subheadings are inserted:

4011.10.01	Having a rim size not exceeding 33 cm (13 inches)
4011.10.03	Having a rim size of 35 cm (14 inches)
4011.10.05	Having a rim size of 38 cm (15 inches)
4011.10.07	Having a rim size of 41 cm (16 inches)
4011.10.09	Having a rim size of 43 cm (17 inches) or more
4011.20.1	With a load index not exceeding 121:
4011.20.16	Having a rim size not exceeding 35 cm (14 inches)
4011.20.18	Having a rim size of 38 cm (15 inches) or more

3.2 Amendment of Part 2B in Schedule No. 1

The opportunity is used to correct the sequence of tariff subheading 8528.71.90 in Part 2B of Schedule No. 1. Tariff subheading 8528.71.90 where it appears below 8528.73.90 should move to after subheading 8528.71.10.

3.3 Amendment of Schedule No. 2

As part of Customs Modernisation, the declaration processing system is optimised by providing for all duties to be identified and paid on an 8-digit level. For this purpose SARS has embarked on an 8-digit level alignment in Schedule No. 2.

Many items as they appear in Schedule No. 2 to the Act, already existed prior to the implementation of the new declaration processing system. The anti-dumping items in this Schedule have been structured on a 6-digit level that placed an additional administrative burden on SARS and trade in general.

The new 8-digit level will provide certainty to both SARS and trade on what goods are subject to anti-dumping duty.

3.3 Amendment of Schedules Nos. 3, 4 and 5

Note 8 in Schedule No. 3; Note 5 in Schedule No. 4 and Note 14 in Schedule No. 5 are being deleted as they have become redundant. These transitional Notes were included with effect from 1 June 2003 to provide for the new International Trade Administration Act, 2002, implemented on 1 June 2003.