

**EXPLANATORY MEMORANDUM-TECHNICAL AMENDMENT**

**TECHNICAL AMENDMENTS FOR SCHEDULE NOS. 13, 4 AND 6 TO THE CUSTOMS AND EXCISE ACT, 1964**

The draft amendments in Parts 1, 2A and 3E of Schedule No. 1, Schedule Nos. 3 and 4 as well as Part 1C of Schedule No. 6 to the Customs and Excise Act, 1964 (the Act), are technical in nature and **will have no effect on the duty structure.** The amendments are due to requests received from industry or other Government agencies. There are also consequential amendments to the HS 2017, which were inadvertently omitted from the Publication on 1 January 2017, they are now rectified.

**1. AMENDMENT OF PART 1 OF SCHEDULE NO. 1**

**1.1 Requests from Plastic South Africa for the deletion of additional 8-digit subheadings for plastics classifiable in Chapter 39**

During 2014 Plastics SA made a request for additional 8-digit tariff subheadings to make a distinction between primary products that are made from virgin material as opposed to recycled material for plastics classifiable in Chapter 39.

The industry motivated that the splitting of the subheadings would allow it to monitor and evaluate imports/exports of plastic products.

The amendment to include “virgin” and “other” was published through Notice No. 927, in Government *Gazette* No. 38240 dated 28 November 2014, and was implemented with effect from 1 January 2015.

However, the industry has now approached SARS with a request to remove the 8-digit tariff subheadings inserted on 1 January 2015, on grounds that the newly



*South African Revenue Service*

created 8-digit tariff subheadings have unintended consequences of causing confusion and disruption of the statistical data collected on plastic products in primary forms.

It has, therefore, been decided that it is in the best interest of the industry to remove the subheadings for “virgin” in relation to products in primary forms by reverting to the 6-digit tariff structure.

The following new 8-digit tariff subheadings are deleted:

3901.10.10	Virgin
3901.10.90	Other
3901.20.10	Virgin
3901.20.90	Other
<b>3902.10.9</b>	<b>Other:</b>
3902.10.91	Virgin
3902.10.99	Other
3903.19.10	Virgin
3903.19.90	Other
3903.30.10	Virgin
3903.30.90	Other
3904.21.10	Virgin
3904.21.90	Other
3904.22.10	Virgin
3904.22.90	Other

The following new 8-digit tariff subheadings are inserted:

3901.10	Polyethylene having a specific gravity of less than 0,94
3901.20	Polyethylene having a specific gravity of 0,94 or more
3902.10.90	Other
3903.19	Other
3903.30	Acrylonitrile-butadiene-styrene (ABS) copolymers

3904.21	Non-plasticised
3904.22	Plasticised

### 1.2 Provision for “other” under tariff heading 3920.20.9

On 1 January 2015 SARS implemented 8-digit tariff subheadings in Chapter 39 of Part 1 of Schedule No. 1 to the Act as requested by Plastics SA. The latter requested that tariff subheading 3920.20.90 in respect of “other” be split into printed and metallised and unprinted and metallised forms of biaxially oriented film. The split allowed Plastic SA to monitor and evaluate imports and exports of specific biaxially oriented film.

On 9 June 2017 XA International Advisors alerted SARS that no residual subheading for “other” existed in the structure. Tariff subheading 3920.20.99 is, therefore, inserted to provide for “other”.

The following new 8-digit tariff subheading is inserted:

3920.20.99	Other
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### 1.3 Requests from the Aluminium Association for the creation of separate tariff subheadings for aluminium waste and scrap

The International Trade Administration Commission and the Department of Trade and Industry requested insight into the grade of scrap aluminium being exported in order to determine if the correct values are being declared. The Aluminium Association made a request for the creation of additional tariff subheadings under the heading 7602.00 for aluminium waste and scrap.

The rationale behind the request is to distinguish between the seven most popular grades of aluminium scrap for local use and export. These grades make up more than 75% of the scrap exports.

The new 8-digit tariff subheadings will enable industry and Government to monitor the export of any primary and secondary wrought or unwrought aluminium scrap.

Additional Note 1 in Chapter 76 of Part 1 to Schedule No. 1 has been inserted to provide for the definitions of the various grades of aluminium scrap listed in the new 8-digit tariff subheadings.

“Additional Notes:

1. The following definitions apply to the goods mentioned in tariff subheadings 7602.00.10, 7602.00.20, 7602.00.30 and 7602.00.40-
  - (a) TAIN/TABOR - Clean mixed old alloy sheet aluminium:
    - (i) Shall consist of clean old alloy aluminium sheet of two or more alloys, free of foil, venetian blinds, castings, hair wire, screen wire, food or beverage containers, radiator shells, airplane, sheet, bottle caps, plastic, dirt, and other non-metallic items.
    - (ii) Oil and grease not to total more than 1%.
    - (iii) Up to 10% Tale permitted.
  - (b) TALK - Aluminium copper radiators:
    - (i) Shall consist of clean aluminium and copper radiators, and/or aluminium fins on copper tubing, free of brass tubing, iron and other foreign contamination.
  - (c) TENSE - Mixed aluminium castings:
    - (i) Shall consist of all clean aluminium castings which may contain auto and airplane castings but no ingots, and to be free of iron, brass, dirt and other non-metallic items.
    - (ii) Oil and grease not to total more than 2%.
  - (d) TRUMP - Aluminium auto castings:
    - (i) Shall consist of all clean automobile aluminium castings of sufficient size to be readily identified and to be free from iron, dirt, brass, bushings, and non-metallic items.
    - (ii) Oil and grease not to total more than 2%.”

The following new 8-digit tariff subheadings are inserted:

7602.00.10	Taint/Tabor
7602.00.20	Talk
7602.00.30	Tense
7602.00.40	Trump

The following 6-digit tariff subheading was substituted:

7602.00	Aluminium waste and scrap:
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#### **1.4 Request from the National Department of Health (NDoH) for the creation of separate tariff subheadings for AMR in Chapter 29 and 30**

NDoH requested that 8-digit tariff subheadings be created for antimicrobials (AMR) to enable them to develop a system to monitor the use and the resistance to AMR. The information will be used to support decision making on interventions to reduce the resistance to AMR and to develop national policy on the appropriate use and standard treatment guidelines.

The creation of the 8-digit tariff subheading will assist the NDoH to monitor the statistics for AMR imported and exported for veterinarian use and human use. Additional Notes were inserted in Chapters 29 and 30 respectively.

“Additional Note:

1. For the purposes of heading 29.41, when imported:
  - (a) Medicaments for veterinarian use shall comply with section 16 of the Fertilizer, Farm Feeds, Agricultural Remedies and Stock Remedies Act No. 36 of 1947.”

“Additional Note:

1. For the purposes of headings 3003.10; 3003.20 and 3004.20:
  - (a) Medicaments for veterinarian use shall comply with section 16 of the Fertilizer, Farm Feeds, Agricultural Remedies and Stock Remedies Act No. 36 of 1947”

**1.5 Requests from the Department of Environmental Affairs (DEA) for the creation of separate tariff subheadings for substances that contribute to the depletion of the ozone layer that result in global warming**

DEA made a request for the creation of 8-digit tariff subheadings as the current structure does not provide for specific substances such as hydrofluorocarbons (HFCs) and mixtures or blends of these substances that contribute to the depletion of the ozone layer.

The current tariff structure poses DEA with 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. 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.

Eight-digit tariff subheadings have been created under tariff heading 2903.39 and tariff subheading 3824.71 that provide for mixtures containing halogenated derivatives of methane, ethane or propane.

**1.6 Requests from the South African Fasteners Manufacturers Association (SAFMA) for the creation of separate 8-digit tariff subheadings in Chapter 73**

SAFMA has requested the creation of 8-digit tariff subheadings for screw studding, classifiable in tariff heading 73.18. Screw studding represents a significant section of the fastener industry in South Africa. The industry has experienced a huge erosion of the market share due to low priced imports from China.



## South African Revenue Service

The creation of 8-digit tariff subheadings in Part 1 of Schedule No. 1 will enable the industry to ascertain the exact volume of imported products, the nature of import competition and more accurate information for statistical purposes.

The following subheadings are inserted:

7318.15.36	Screw studding of stainless steel (excluding those identifiable for aircraft)
7318.15.42	Screw studding (excluding those identifiable for aircraft)

The following subheadings are substituted:

7318.15.35	Other screws and bolts (including bolt ends and screw studs, of stainless steel (excluding those that are fully threaded with hexagon heads)
7318.15.41	Bolt ends and screw studs (excluding those of stainless steel and those identifiable for aircraft)

### **1.7 Request by tyre industry to provide for road wheels and rims fitted with tyres in Chapter 87**

Subsequent to the introduction of the tyre levy on 1 February 2017, industry requested SARS to consider providing for road wheels and rims fitted with tyres separately, under certain categories for parts as listed in Part 3E of Schedule No. 1. This will facilitate trade and reduce the administrative burden on both importers and SARS as the other parts included under the existing tariff subheadings 8708.70.10, 8714.10 and 8714.92 will no longer be affected by the requirements applicable to tyres. Therefore, the structure of the said tariff subheadings has been amended to provide for new 8-digit subheadings in order to distinguish between road wheels and rims fitted with tyres.

DEA and National Treasury were consulted by SARS since the tyres of these tariff subheadings were initially not included in the list of tariff subheadings that DEA originally requested to be included in environmental levy on tyres.

As a consequence to the amendment in Part 3E of Schedule No. 1, the structure of Part 1 of Schedule No. 1 is also amended.

The following subheading is deleted:

8708.70.10	Identifiable for use solely or principally with tractors (excluding road tractors)
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The following subheadings are inserted:

<b>8708.70.1</b>	<b>Identifiable for use solely or principally with tractors (excluding road tractors):</b>
8708.70.11	Road wheels fitted with tyres
8708.70.19	Other
8714.10.10	Rims fitted with tyres
8714.10.90	Other
8714.92.10	Rims fitted with tyres
8714.92.90	Other

## 1.8 Internal request to amend statistical unit

On 14 July 2016 the World Customs Organisation (WCO), of which South Africa is a member, has published the recommendations of the Customs Co-operation Council (CCC) on the use of standard units of measure to facilitate collection, comparison and analysis of international statistics based on the Harmonised System (HS).

Tariff subheading 9506.99.20 provides for “Artificial turf in the form of sports fields playing surfaces including marking lines, presented unassembled”. The statistical quantity for tariff subheading 9506.99.20 is currently expressed as “units” represented by “u” in accordance with the WCO’s recommendations.



*South African Revenue Service*

This statistical quantity is amended from “u” to square metres represented by “m<sup>2</sup>”. It is amended in order to be aligned with the statistical quantity of tariff subheading 5703.90. Tariff subheading 5703.90 provides for “Carpets and other textile floor coverings, tufted, whether or not made up, of other textile materials” with a statistical quantity of m2.

The CCC, recommends that Contracting Parties to the HS, report international trade data to the United Nations (UN) and other international organisations by employing not less than 90 per cent of the units of quantity of the HS subheadings.

South Africa currently complies with 99,13 per cent of the units of quantity of the HS subheadings. The proposed deviations, which still leave South Africa well above 90 per cent will be communicated to the WCO.

**2. AMENDMENT OF PART 2A OF SCHEDULE NO. 1**

With the implementation of HS 2017, heading 2206.00 was substituted in Part 1 of Schedule No. 1 to read “Other fermented beverages (for example, cider, perry, mead, saké) mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included” (own emphasis). The consequential amendment in Part 2A of Schedule No. 1 was erroneously omitted and did not include “saké”.

As a result of the substitution in Part 1 of Schedule No. 1, the description of the header in item 104.17/2206.00 is being amended accordingly. The amendment has no tax implications as only the description is amended.

The following tariff item is substituted:

104.17 22.06	Other fermented beverages (for example, cider, perry, mead, saké); mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic:
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**3. AMENDMENT OF PART 3E OF SCHEDULE NO. 1**

As a result of tariff subheadings that have been inserted and discussed in paragraph 1.7, a consequential amendment is necessary in Part 3E of Schedule No. 1 and the structure is amended accordingly.

With the implementation of HS 2017 on 1 January 2017, electric vehicles were restructured under different tariff subheadings. During the implementation of the tyre levy on 1 February 2017, the new electric vehicles structure was omitted from Part 3E of Schedule No. 1 and the opportunity is utilised to align the tyre levy items with HS 2017.

The following items are deleted:

153.03.87	8703.90.31	Electric vehicles with a mass not exceeding 800 kg
153.03.88	8703.90.33	Other electric vehicles
153.08.21	8703.70.10	Identifiable for use solely or principally with tractors (excluding road tractors)
153.08.29	8703.70.90	Other

The following items are inserted:

<b>153.08</b>	<b>8708.70.1</b>	<b>Identifiable for use solely or principally with tractors (excluding road tractors):</b>
153.08.21	8708.70.11	Road wheels fitted with tyres
<b>153.13</b>	<b>8714.10</b>	<b>Of motorcycles (including mopeds):</b>
153.13.10	8714.10.10	Rims fitted with tyres
<b>153.13</b>	<b>8714.92</b>	<b>Wheel rims and spokes:</b>
153.13.15	8714.92.10	Rims fitted with tyres

**4 AMENDMENT OF SCHEDULE NO. 3**

Tariff subheading 4421.90 transposed to 4421.99 with HS 2017 in Part 1 of



*South African Revenue Service*

Schedule No. 1. A consequential amendment to Schedule No. 3 was inadvertently omitted, as a result rebate item 308.02/4421.90/01.06 is deleted and is replaced with item 308.02/4421.99/01.06.

**5. AMENDMENT OF SCHEDULE NO. 4**

Rebate item 412.11/00.00/01.01 provides for “Goods imported for the relief of distress in the case of national disaster; under any technical assistance agreement; or in terms of an obligation under any multilateral international agreement to which the Republic is a party”. The description of the header to the said rebate item currently does not read in accordance with the item and in view thereof, the description of the header is amended accordingly.

**6. Amendment of Schedule No. 6**

With the implementation of HS 2017 provisions were inserted for wine in containers holding more than 2 litres but not more than 10 litres. The consequential amendment of Section C in Part 1 of Schedule No. 6 has been omitted from the amendment. This is now corrected.

The following rebate item is deleted:

620.22/104.15.07/06.01	With an alcoholic strength of at least 4.5 per cent by volume but not exceeding 16.5 per cent by vol.
620.22/104.15.08/07.01	Other
620.22/104.15.09/08.01	With an alcoholic strength of at least 15 per cent by volume but not exceeding 22 per cent by vol.
620.22/104.15.10/09.01	Other

The following rebate items are inserted:

620.22/105.15.13/06.01	With an alcoholic strength of at least 4.5 per cent by volume but not exceeding 16.5 per cent by vol.
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*South African Revenue Service*

620.22/104.15.15/07.01	Other
620.22/104.15.17/08.01	With an alcoholic strength of at least 15 per cent by volume but not exceeding 22 per cent by vol.
620.22/104.15.19/09.01	Other
620.22/104.15.21/10.01	With an alcoholic strength of at least 4.5 per cent by volume but not exceeding 16.5 per cent by vol.
620.22/104.15.23/11.01	Other
620.22/104.15.25/12.01	With an alcoholic strength of at least 15 per cent by volume but not exceeding 22 per cent by vol.
620.22/104.15.27/13	Other