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vision

"Striving towards making a contribution to the South African economy that is increasing its levels of incomes, investment and employment"

Mission

"Creating an enabling environment for fair trade through customs tariff amendments, trade remedies and import and export control"

core values

The Commission is guided by the following set of core values:

Integrity;
Trust;
Accountability; and
Commitment

Foreword by the Minister of Trade & Industry

Bearing the fruits of years of sound financial and monetary policies, South Africa is on the cusp of sustained long-term economic growth and development.

To maintain, accelerate and broaden even higher levels of growth will require continued attention to the First Economy. Key requirements for a dynamic industrial economy include the upgrading of industrial capabilities and enhancing international competitiveness through the establishment of a low-cost production base.

In addressing constraints such as the cost of doing business and the unnecessarily high cost of intermediate industrial inputs, the International Trade Administration Commission of South Africa (ITAC) is an important player in the circle of government work. Openness to the global trading arena goes hand in hand with the introduction of innovative ideas and new technology that will lead to international competitiveness.

While ensuring adequate and effective responses to unfair international trade practices, I trust that ITAC is vigilant against a form of backdoor protectionism, in the guise of trade remedy protection. In particular, ITAC should carefully consider situations where imports subject to prohibitively high extra duties provide the leverage for domestic producers to ratchet up domestic prices that impede the competitiveness of downstream producers that must compete in an increasingly global economy.

We continue to trust that ITAC will fulfil its mandate to effectively implement and administer the trade and industrial policy direction undertaken by the Department of Trade and Industry (**the dti**). Wishing ITAC much success on the road ahead!



**MANDISI MPAHLWA, MP
MINISTER OF TRADE AND INDUSTRY**



Mr. MANDISI MPAHLWA

Review by the Director-General



TSHEDISO MATONA

The International Trade Administration Commission (ITAC), a member of **the dti's** Council of Trade and Industry Institutions (COTII), was established three years ago with the important mandate of facilitating an environment that enables fair and competitive international trade.

In this era of rapidly advancing globalisation, growing opportunities must be seized and threats responded to appropriately. Success hinges on growing trade, investment, technological upgrading and knowledge flow. All these activities can generate enormous social and economic rewards for our country.

Trade expansion along with the upgrading of the composition of exports is a key ingredient of economic success. Thus, ITAC has the important function of considering and conducting tariff investigations, investigations of anti-dumping, other trade remedies petitions and applications in compliance with World Trade Organisation (WTO) principles and procedures. The system should not be used to stifle healthy global competition but to foster fair trade and international competitiveness. ITAC has performed admirably over the past year in carrying out its mandate. In the year ahead, I trust it will continue to fulfill its mandate.

ITAC co-operates closely with **the dti** on matters pertaining to tariff reform and trade administration legislation and regulations. In this regard it continuously supports **the dti** policymakers in the development of our strategic competitiveness policies.

During the year, ITAC commendably contributed to multilateral and bilateral trade negotiations and the ongoing Southern African Customs Union (SACU) integration process. It has managed the Duty Credit Certificate Scheme (DCCS) for the textiles and clothing industries as well as the efficient administration of the Motor Industry Development Programme (MIDP), also providing advice on the scheduled policy review of the MIDP.

I congratulate ITAC on its excellent progress over an eventful year.

TSHEDISO MATONA
DIRECTOR-GENERAL

Report of the Chief Commissioner

During the past year, ITAC has continuously focused on improving its administrative and decision-making processes, procedures and capabilities and on maintaining South Africa's policy and legislative framework for tariff and trade remedy investigations.

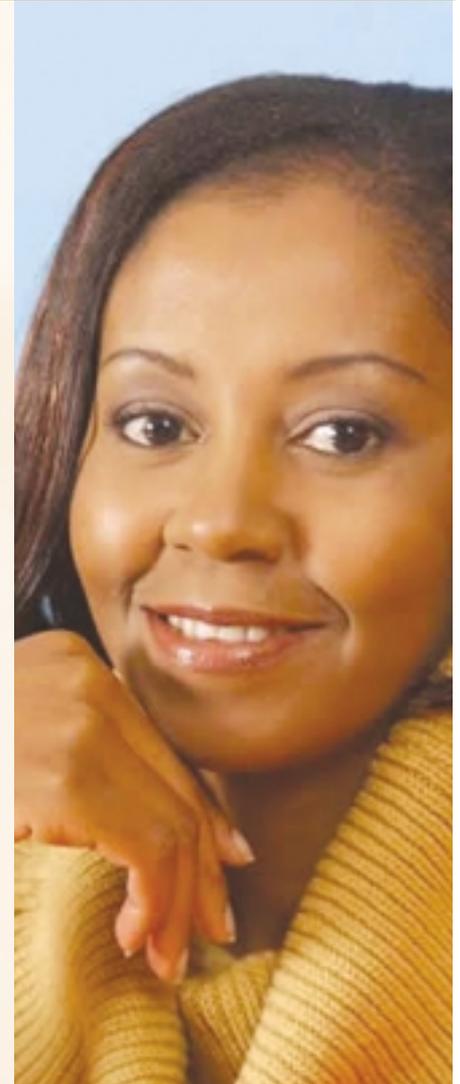
The Commission proposed a number of changes to the International Trade Administration Act (ITA) as well as to the anti-dumping and other trade remedies regulations. It also finalised its tariff investigations regulations. The changes were designed to embed clarity, fairness and effectiveness into the trade administration system and to bring the Act and regulations into alignment with the Commission and **the dti's** strategic objectives and in full compliance with WTO principles and procedures.

On the tariff investigations front, the salient aspects over the past year were firstly an investigation of the tariff structure for wheat and its downstream products, an important staple food for the majority of South Africans. During its deliberations, the Commission considered the information at its disposal, including the industry's profile and competitive position, international price comparisons and the cost-raising impact of higher duties on domestic producers and consumers.

The Commission found the previously existing and proposed new duty structures for wheat products as characterised by frequently changing specific duties to be too opaque. Import duty levels were too high and not transparent to industry and consumers. In the light of the industry's favourable competitive position, the cost-raising effects of the proposed duty were found to be unacceptably high. The Commission decided to recommend a low and transparent *ad valorem* percentage duty for wheat and wheat flour that has been implemented by the customs authorities. The Commission is also considering a revised import duty structure for maize, another staple food.

In the light of the import parity pricing practices by South African producers and with the intention of lowering cost structures, the Commission, after in depth investigation, recommended the removal of import duties on basic iron and steel and a lower duty structure for the paper and pulp industries. The Commission is also considering investigations of other primary industries. Apart from the removal of import duties on basic iron and steel, the Commission's recommendations have not yet been implemented.

In the sphere of trade remedy investigations, the strategic trajectory that the Commission has embarked on is based on an adherence to a strict



Ms NOMONDE MAIMELA

understanding of causation, and a vigilance that the instrument is not used to raise the cost of doing business in SACU, leading to non-competitiveness. Therefore, due consideration is given to the cost-raising effects of duties and their adverse consequences for downstream producers, exporters, and consumers.

The Commission is in constant liaison with **the dti** as far as developments regarding the country's important future trading relationship with China is concerned. On this front, the Commission is in full support of **the dti's** initiatives.

The review of the import and export control measures administered by the Commission is an ongoing process. The approach of the Commission is to remove those measures that are unnecessary. However, many of the import control measures are applied on behalf of other government departments such as the Departments of Environmental Affairs, Minerals and Energy and Health. During the year, the Commission started discussions with these departments with a view to rationalising the permit issuing process.

In the sphere of trade negotiations, such as the multilateral Non-Agricultural Market Access (NAMA) negotiations, the Commission continued its ongoing support to **the dti**. Similarly, we will be involved with **the dti** in building capacity within SACU by providing training and technical assistance as far as tariff and trade remedy investigations are concerned. We will continue, as we did over the past year, to act as the *de facto* tariff board for SACU until the establishment of the SACU Tariff Board.

The tariff investigations unit continued its administration of the motor industry development programme (MIDP) and duty credit certificate scheme (DCCS) for the textiles and clothing industries respectively and is currently awaiting the results of a review of these programmes.

The core values that we aspire to in executing our strategic business plan are those of integrity, trust, accountability and commitment. The Commission's leadership promises to inspire the people in our organisation towards our common goals.

Within the parameters of the applicable laws and recognised governance principles, the Commission will ensure that it constantly delivers value to the economic citizens of our country.



NOMONDE MAIMELA
CHIEF COMMISSIONER

List of Reports issued by the Commission in the period 1 April 2005 to 31 March 2006:

Report No.	Title
53	Investigation into the withdrawal of certain rebate provisions for the textile, clothing and related industries
105	Sunset review of the anti-dumping duties on hexagon nuts, of iron or steel originating in or imported from Chinese Taipei and the People's Republic of China (PRC), and bolts, of iron or steel with hexagon heads, whether or not with their nuts originating in or imported from the PRC: Final determination
106	Rebate of the duty on components for the manufacture of heaters
107	Investigation into the alleged dumping of wheat flour originating in or imported from India: Final determination
108	Application for an increase in the rate of duty on split roller bearing housings and split roller bearing supports
109	Sunset review of the anti-dumping duties on paper insulated lead covered electrical cable originating in or imported from India: Final determination
110	Reduction in the duty on go-kart vehicles
111	Application for an increase in the rate of duty on stainless steel flanges and butt-welding fittings
112	Review of the customs tariff dispensation on wheat, wheat flour and downstream products thereof
113	Revision of the duty structure on fork-lift trucks, self-propelled work trucks and reach stackers
114	Rebate of the duty on materials for the manufacture of diapers for babies
115	Application for a reduction in the rate of duty on herbicides formulations containing alachlor as active ingredient
116	Termination of the anti-dumping duties on plates, sheets, film, foil, tape and strip of polymers of vinyl chloride originating in or imported from Germany
117	Rebate of the customs duty on 100% knitted cotton fabric for the manufacture of laminated knitted cotton used for medical vests
118	Investigation into the alleged dumping of cheddar cheese originating in or imported from Ireland: Final determination
119	Sunset review of the anti-dumping duties on acetaminophenol originating in or imported from the People's Republic of China, France and the United States of America: Final determination
120	Application for rebate of the full duty on donated clothing
122	Application for rebate of the duty on salmon for the processing thereof (0302.12 0303.11 0303.19 0303.22)
123	Application for rebate of the duty on heating resistors for the manufacture of electric domestic kettles
124	Reduction in the rate of duty on sunglasses
125	Investigation into the alleged dumping of steel wheels originating in or imported from Brazil, the People's Republic of China, Chinese Taipei and Turkey: Final determination
126	Application for reduction in the customs duty on preparations of a kind put up as mollusc food
127	Termination of the anti-dumping duties on carbon black originating in or imported from Australia
128	Rebate of the duty on cotton lint
129	Investigation into the alleged dumping of unframed glass mirrors of a thickness of 2 mm to 6 mm originating in or imported from Chinese Taipei

List of Reports issued by the Commission in the period 1 April 2005 to 31 March 2006:

Report No.	Title
132	Reduction in the rate of customs duty on 2-mercaptobenzothiazole, derivatives of p-phenylenediamine and derivatives of octylated diphenylamine
133	Rebate of the duty on release paper, coated, impregnated or covered with silicone, used as a carrier in the manufacture of spread coated fabrics of poly vinyl chloride
134	Investigation into the alleged dumping of polyethylene terephthalate (PET) originating in or imported from the People's Republic of China, India, Indonesia, South Korea, Chinese Taipei and Thailand: Preliminary determination
135	Investigation into the alleged dumping of stainless steel tubes and pipes originating in or imported from the People's Republic of China, India and Malaysia: Preliminary determination
136	Reduction in the rate of duty on polyurethane tape, self-adhesive on both sides
137	Reduction in the rate of customs duty on n-butyl acetate
138	Reduction in the rate of duty on seamless pipes of iron or steel
141	Reduction in the rate of duty on biaxially oriented polymers of propylene of a width exceeding 150 mm but not exceeding 200 mm
143	Rebate of the customs duty on knitted glove liners of cotton, synthetic fibres or a combination thereof, for the manufacture of gloves
144	Revision of the customs duty on sugar confectionery not containing cocoa classifiable under tariff subheading 1704.90
145	Exclusion of aluminium pressure cookers from the anti-dumping duties applicable to aluminium hollowware originating in or imported from the People's Republic of China
147	Investigation into the alleged dumping of refined sunflower oil originating in or imported from the Argentine Republic and the Federative Republic of Brazil: Preliminary determination
148	Investigation into the alleged dumping of unframed glass mirrors of a thickness of 2 mm to 6 mm originating in or imported from India and Indonesia
149	Termination of the anti-dumping duties on prepared or preserved meat of fowls of the species Gallus Domesticus cut in pieces with bone-in, originating in or imported from the United States of America
152	Investigation into the alleged dumping of paper and paperboard with a mass of 180 g/m or more, but not exceeding 550 g/m, coated on one side with kaolin clay, commonly known as "white liner" or "grey back paperboard", originating in or imported from the Republic of Korea: Preliminary determination
155	Sunset review of the anti-dumping duties on garlic originating in or imported from the People's Republic of China: Final Determination
159	Investigation into the alleged dumping of stainless steel tubes and pipes originating in or imported from Chinese Taipei: Preliminary Determination
161	Investigation into the alleged dumping of toughened glass for incorporation in vehicles originating in or imported from the People's Republic of China: Preliminary Determination

Commentary of the Commission's Chairperson

In this year the Commission spent considerable time and effort in reviewing its policies, legislation and regulations:

- The Customs Tariff Policy has been reviewed and a report submitted to the Minister. Processes have also been set up to review other policies.
- The International Trade Administration Amendment Bill was drafted, public comment was requested and taken into consideration, the final draft was submitted to the Minister of Trade and Industry, and will be discussed at the National Economic Development and Labour Council (NEDLAC) and submitted to Parliament in the next financial year.
- The Safeguard regulations have been considerably amended in order to ensure that the Commission is in a position to adequately administer this important trade remedy.
- Tariff Investigations Regulations have been finalised and will be implemented early in the new financial year.

At the request of the Minister of Trade and Industry, the Commission conducted an investigation in respect of import duties on steel products. Recommendations were submitted to the Minister and have now been implemented by South African Revenue Service (SARS).

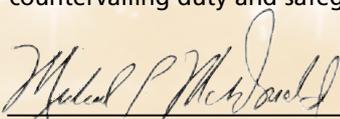
The Commission also assessed the review of the customs duties applicable to wheat and down stream products thereof.

Import Control Regulations were amended by removing import control measures on used and second-hand printed books, newspapers, pictures and other used products of the printing industry as part of a process to remove unnecessary administrative burdens.

The number of applications for trade remedy action increased at a time when local industry was under considerable competitive pressure from large increases in relatively cheap imports, partially occasioned by the strong Rand.

The Commission was also approached with an application for safeguard action against the People's Republic of China (PRC) on certain textiles, clothing and footwear. The safeguard action was however dealt with by way of direct consultations between **the dti** and the Ministry of Commerce of the PRC, aimed at limiting surges of imports of certain products.

The Commission aims to promote the competitiveness of local manufacturing industries, encourage fair trade in respect of imports, but to also protect local industry when necessary from unfair trade competition through anti-dumping, countervailing duty and safeguard investigations.



MICHAEL MCDONALD
CHAIRPERSON



Mr. M.P. MCDONALD

Background on the Commission

The International Trade Administration Commission of South Africa is a body governed by the provisions of the International Trade Administration Act, 71 of 2002 (ITA Act). The Act establishes the Commission as a body that is accountable for encouraging economic growth and employment in South Africa and within the broader customs union through the efficient and effective administration of trade regulations. The Commission further makes recommendations to the Minister on its three core business areas namely:

- Import and Export Control
- Trade Remedies (Anti-Dumping, Countervailing Duties and Safeguard Measures)
- Tariff Investigations (Customs Tariff and Rebate Provisions)

The ITA Act makes provision for a Chief Commissioner who also serves as the Chief Executive Officer and is directly accountable to the Minister of Trade and Industry. The Chief Commissioner is assisted by a Deputy Chief Commissioner and a maximum of ten Commissioners who can be appointed to serve on a full-time or part-time basis. There is currently a full time Chief Commissioner and Deputy Chief Commissioner and four part-time Commissioners.

During the year under review, two part-time Commissioners, Mr. H Msimang and Prof. C McCarthy resigned. Prof McCarthy was also the Chairperson of the Commission and upon his resignation, Mr. M McDonald was appointed to fill the vacancy of Chairperson. *The dti* is currently managing the process for the State President to appoint new and additional part-time Commissioners to fill the vacancies.

The Commission mostly responds to applications lodged by interested parties with regard to tariff amendments or trade remedies. These applications are investigated by investigating officers and reports are submitted to the Commission for consideration. The Commission submits a report on its findings, including a recommendation to the Minister.

In order to improve delivery in terms of informed decision making, the Commission now meets once a month instead of fortnightly. Furthermore, electronic access to international trade information has been enhanced by subscription to global information sources.

Table: Performance against predetermined objectives

Goal	Key performance indicator	Target	Result	Reason for variance
Promotion of sustainable economic development through the improvement of international competitiveness and optimal use of resources	Increase in customs tariffs	8	6	In total six investigations were considered based on applications received. Two were rejected, two were withdrawn and two are still in process
Cost reduction and increase global competitiveness	Reduction in the customs tariffs	36	42	In total 42 investigations were considered based on applications received. Eight were approved and twelve were rejected. Twenty are still in process and two were withdrawn
Cost reduction of inputs Increased global competitiveness Promotion of manufacturing activities in the SACU	Rebate of the customs tariffs	36	29	In total 29 investigations were considered based on applications received. One was an application for a refund, eight were rejected, eleven are in process, five were approved and four were withdrawn
Cost reduction on inputs Competitiveness in export market Growth and development of the SACU industry Assistance to welfare, educational, health and religious organizations Assistance to low income consumers	Permits for rebate and drawback of the customs tariffs	1300	1332	Based on applications received.
Improvement in global competitiveness of motor vehicle and component manufacturing industry	Eligible export certificates	300	245	Based on applications received.
Improvement in global competitiveness of motor vehicle and component manufacturing industry	Duty Credit Certificates	3800	3473	Based on the number of claims submitted by the motor industry.
Improvement in global competitiveness of clothing and textile manufacturing industry	Permit applications adjudicated	1400	1228	Based on claims submitted by the textile clothing and textile industry.
Adjudicate permit application in accordance with the Act, regulations and policy	Permit applications adjudicated	26000	29683	Increased demand
Ensure that used imported goods do not erode SACU industry. Control for environment, health and security reasons. Safety and quality compliance	Import control permits issued	16000	17738	Increased demand
Assist in enhancement beneficiation of goods prior to export. Ensure compliance with provisions of international agreements. Enhance control over outflow of goods regarded as strategic, smuggled and stolen goods	Export control permits issued	5000	3895	Decrease in demand

Inspect imported goods to ensure compliance with rebate provisions 311.18 and 460.11	Enforcement – Investigations	80	453	Enforcement unit is fully complemented, and trained, rebate permit provisions resulting in proper planning of unscheduled inspections
Check imported containers to ensure imported goods comply with permit descriptions	Enforcement – Container inspections	190	550	Increase in imports of goods subject compulsory inspection.
Investigate the importation/exportation of goods in contravention of the provisions of the ITA Act	Enforcement – Investigations	24	28	Increase in the alleged contraventions
Seize goods imported or goods destined for exportation in contravention of the ITA Act. Institute legal proceedings	Enforcement – Seizure and removal of illegally imported goods/goods destined for export	12	9	Decrease in the need to seize and remove
Protection for SACU industry against unfair international trade practices. Investigate a surge of imports that results in serious injury to the SACU industry	Anti-dumping and countervailing investigations and reviews Safeguard investigations	30	14	Demand driven investigations. Unit is dependant on applications received during the year

Import and Export Control

Import and Export control measures are maintained in terms of the provisions of the International Trade Administration Act, 71 of 2002. The provision of the Act underpin endeavours of ITAC to support sustainable industrialisation and promote international competitiveness. The Import and Export Control Unit therefore ensures that goods subject to control measures, the details of which are published in regulation, are imported and exported in accordance with the provisions contained in the ITA Act, policies and procedures.

Import Control

The purpose of control is to assist in the creation of an environment in which economically active entities in South Africa can grow and prosper. In conducting its business, it is crucial for the Unit to have well-established partnerships with stakeholders such as the SA Revenue Service (SARS). To remain effective, it is necessary that the SARS is continuously engaged as to the requirements of the Unit.

Many of the control measures are influenced by the strategies and focus of other Government Departments. As such, proper alliance of those strategies with the activities of the Unit are of utmost importance.

Import control measures were maintained on different types of goods for divergent purposes. In this regard:

- Control measures were exercised for health and environmental reasons to ensure that imported radioactive chemical elements, fish and fish products, comply with health regulations and minimum quality specification.
- Control was exercised to ensure compliance with South Africa's obligation in terms of international agreements. Specific reference is made to the Montreal Protocol pertaining to the importation and use of chemicals with ozone depleting potential and the

1988 Convention against Illicit traffic in Narcotic Drugs and Psychotropic Substances.

- Close cooperation also existed between the Import and Export Control Unit, the Department of Environmental Affairs and Tourism and the SA Police Services (SAPS).
- Control measures were also exercised for strategic reasons. In this regard, control was exercised on the importation of fossil fuels.
- Imports of petroleum products were closely monitored in cooperation with the Department of Minerals and Energy.
- Control measures were also applied for technical reasons and in this regard the Unit assisted the SA Bureau of Standards in ensuring that all imported pneumatic tyres comply with the minimum quality specification.
- Import control was exercised for safety and security reasons in controlling the importation of firearms and ammunition and for social reasons in controlling the importation of gambling devices.
- Focus was placed on controlling the importation of used and second-hand goods. Control was exercised to ensure that the influx of used and second-hand goods does not erode manufacturing activities and job creation in SA.
- The importation of used and second hand goods was as a general rule only allowed in specifically defined circumstances, for instance, to augment insufficient supply of raw materials available from local sources or

in cases where similar or substitute new goods were not available from local sources.

- In exercising control measures, cooperation exists between Import and Export Control and various other Government Departments and agencies. Import control measures were furthermore exercised in accordance with the provision of the Basel Convention. In this regard, the trans-boundary movement of waste and scrap was strictly controlled in the process of regulating the movement of potential hazardous substances.

Export Control

Export control measures were exercised on 177 tariff lines for various purposes.

In this regard:

- Control was exercised on ferrous and non-ferrous waste and scrap and on waste paper and paperboard to ensure that local recyclers and foundries are given the opportunity to acquire scrap prior to exportation.
- Control measures served the purpose of ensuring that certain minerals and precious stones of jewellery manufacturing quality are not exported prior to beneficiation.
- Control was also applied on certain goods in accordance with international agreements such as the Montreal Protocol, the 1988 Convention Against Illicit traffic in Narcotic Drugs and Psychotropic Substances and the Basel Convention.
- The exportation of fossil fuels was controlled for strategic purposes, i.e, to ensure that sufficient levels of petrol, diesel and the like were available.
- The Import and Export Control Unit also assisted law enforcement agencies such as the SAPS, insurance and finance agencies as well as the industry in curtailing the exportation of stolen motor vehicles.

The following statistics pertain to the 2005/06 financial year.

1. Export permits issued	3 895
2. Import permits issued	17 738
3. Permit applications declined	186
4. Unscheduled Inspections	453
5. Container Inspections	550
6. Seizures	9
7. Court Cases	8
8. Investigations	28

Development

The implementation of the Electronic Data Interchange (EDI) system with regard to the electronic transfer of import permit information to the SA Revenue Service was concluded. The result was the discontinuation of the issuing of hard copy import permits with the exception of imports via SACU member countries. The development of an electronic system for issuing export permits was completed and introduced in August 2005. Preparatory work for the implementation of the EDI system for export permits has been concluded and the system has been upgraded to improve its reporting capabilities. The expertise of a service provider was acquired to expand the information reception capabilities of the system and to monitor and address instances of malfunctioning.

During the year, the Unit embarked on a process of removing import control measures on goods where such measures no longer served the objectives of ITAC. In this regard, import control measures were removed on the importation of the following goods:

- Goods imported in terms of rebate item 405.04, being goods that are donated to charitable organisations,
- Goods imported in terms of rebate item 412.03, being goods that are inherited goods,
- Goods imported in terms of rebate item 412.04, being goods that are the belongings of a deceased person being repatriated to SA.
- Used and second-hand printed books, brochures and similar printed matter of chapter 49 of the Customs Tariff.

Permit application forms were simplified and information on the website updated for user friendliness and to enhance the quality of interaction with clients.

Operations

In order to successfully conduct its work, the unit was required to continuously reaffirm and align processes and network with stakeholders. It is imperative that the unit continuously interacts with the relevant sectors in the industry or their representative organisations so as to ensure that it is informed of developments in the local manufacturing industry.

In this regard, the Unit:

- Participated in various discussions with the SAPS regarding the inclusion of used clothing in the list of goods subject to the provisions of the draft Second Hand Goods Bill and to propose the appointment of Import Control Investigators in terms of the Act to assist with enforcement.
- Reaffirmed its commitment to the SA Waste Management Administrator of the Department of Environmental Affairs and Tourism to cooperate and exchange information on the trans boundary movement of waste.
- Considered and discussed the maintenance of export control measures on certain tree species with Department of Water Affairs and Forestry to curtail the uncontrolled exportation of certain indigenous species.
- Seized and destroyed ten illegally imported used vehicles that were declared forfeited to ITAC following contravention of the provisions of the ITA Act.
- Held negotiations with the National Prosecuting Authority (NPA) and obtained permission for the Commercial Crime Unit to investigate all cases pertaining to contraventions of the ITA Act and for these cases to be heard by the Commercial Crimes Court.
- Held a workshop in Upington with members of the SA Revenue Service to share information regarding rules and processes pertaining to goods that enter SA via various border posts between SA and Namibia
- Held discussions with the SA Civil Aviation Authority to align procedures and to map processes with regard to the importation of used aircrafts and spares.
- Held a workshop with the Department of Foreign Affairs pertaining to the proposed implementation of UN Resolutions relating to the importation of certain chemicals.
- Held discussions with Trade and Investment SA and the Industrial Development Corporation to provide information with regard to importation of black tea.
- Embarked on a programme of verifying the existence and operating capacity of importers of used tyre casings.
- Reached an agreement with certain SARS Ports on procedures of disposing of seized and confiscated goods in state warehouses.
- Held discussions with various Government Departments to agree on the signing of memoranda of cooperation to ensure that cooperation and interaction between the Import and Export Control Unit and the relevant Departments has a sound and unchallengeable platform.

Training

In its endeavour to empower stakeholders the Unit provided training to different units of the SAPS, SARS and the Metro Police.

Enforcement

The Investigations sub-division within the Import and Export Control unit has the responsibility to enforce the provisions of the ITA Act that pertains to import and export permits. In this regard, the unit ensures compliance with the Act by detecting contraventions related to imports and exports that occurred or the transgression of permit conditions. The unit also assists the Tariff Investigations Unit in conducting inspections on the premises of applicants of rebate permits.

The unit conducts both scheduled and unscheduled or pro-active inspections of imported containers, imported goods or goods

to be exported as well as the inspection of premises of importers and exporters. During the period under review, numerous inspections and investigations were conducted to ensure that controlled goods are imported or exported by means of valid import/export permits and to verify that import/export permit conditions were not contravened.

In many instances, illegally imported goods were seized and removed for storage and legal proceedings instituted against transgressors. A number of transgressors were found guilty, sentences were passed and goods that were the subject matter of the offence declared forfeited.

In the process of the alignment of activities, information-sharing sessions were held regularly with the different law enforcement agencies. Various forums have also been established in the process of jointly addressing transgressions and to agree on projects and actions necessary to be taken in curtailing transgressions and actions against transgressors.

Trade Remedies

The trade remedies or trade defense instruments are anti-dumping, countervailing and safeguard measures. These instruments are the subject of Agreements in the World Trade Organisation (WTO) and are generally accepted exceptions to trade liberalisation.

South Africa, as a signatory to the WTO, is authorised to use these instruments to protect the South African economy from imports that are priced below the normal value of the exporting country (dumping) or are subsidised by the government of the exporting country and/or in the country of origin and that cause material injury to the SACU industry. Anti-dumping is covered under the WTO Agreement on Implementation of Article VI of GATT 1994 (the Anti-Dumping Agreement), subsidised exports are covered under the WTO Subsidies and Countervailing Measures Agreement, and a surge of imports is covered under the WTO Agreement on Safeguards. All three remedies are provided for in the ITA Act, 71 of 2002, and specific anti-dumping, countervailing and safeguard regulations were promulgated to ensure fairness and to provide more clarity and transparency in these investigations. These regulations are WTO-consistent. ITAC's investigations are also subject to the Promotion of Administrative Justice Act, 2000, and the Promotion of Access to Information Act, 2000.

ITAC plays a crucial role in protecting SACU industries against unfair trade. The Trade Remedies unit investigates allegations of injurious dumping; subsidized exports and/or a surge of imports and presents its submissions to the Commission for consideration. Where the Commission finds the presence of material injury caused by dumping it may recommend that anti-

dumping duties be imposed to offset the injury caused by such dumping, while it may recommend the imposition of a countervailing duty where it has found that subsidised exports are causing material injury. The remedy in the case of a surge of imports can be a duty and/or a quota, and as a result, it is called a measure.

Trade Remedies Policy

ITAC adheres to regulations pertaining to anti-dumping, countervailing (anti-subsidy) and safeguard investigations.

Trade Remedies Investigations and Reviews

(a) *Anti-Dumping Investigations*

Anti-dumping investigations are conducted to determine whether to impose anti-dumping duties to protect the SACU industry against unfair trade practices where foreign producers export their products to SACU at prices lower than their normal values (normally their domestic selling prices), thereby causing material injury to the SACU industry.

(i) Brought forward from 2004/05:

Table 1

Product	Country	Date initiated
Steel wheels	Brazil, PRC, Chinese Taipei, Turkey	28/05/04
Chopped strand mats	PRC, Chinese Taipei	14/11/03
Drawn and Float glass	Indonesia	04/03/05
Cheddar cheese	Ireland	25/06/04
Wheat flour	India	12/11/04

* PRC = People's Republic of China

(ii) Initiations

The following investigations were initiated during 2005/06:

Table 2

Product	Country	Date initiated
Sunflower oil	Argentina, Brazil	10/06/05
BOPP Film	Brazil	04/11/05
Tyres	PRC	28/10/05
Stainless steel pipes and tubes	PRC, Chinese Taipei, India, Malaysia	10/06/05
Polyethylene terephthalate (PET)	PRC, Chinese Taipei, India, Indonesia, South Korea, Thailand	08/04/05
Shock Tubes	PRC	08/07/05
Automotive glass	PRC	30/09/05
L-Lysine Sulphate	USA	24/06/05
Paperboard	South Korea	05/08/05
Unframed glass mirrors	Chinese Taipei, India	27/05/05

(iii) Preliminary decisions published

The following preliminary decisions were published during 2005/06:

Table 3

Product	Country	Date published	Result
Sunflower oil	Argentina, Brazil	25/11/05	No duty
Stainless steel pipes and tubes	PRC, India, Malaysia	23/09/05	Provisional payment
Polyethylene terephthalate (PET)	PRC, Chinese Taipei, India, Korea	07/10/05	Provisional payment
Polyethylene terephthalate (PET)	Indonesia, Thailand	07/10/05	No duty
Drawn and float glass	Indonesia	24/09/05	No duty
Unframed glass mirrors	India	14/12/05	Provisional payment
Unframed glass mirrors	Indonesia	14/12/05	No duty
Stainless steel pipes and tubes	Chinese Taipei	24/03/06	No duty
Paperboard	Korea	24/02/06	No duty

(iv) Finalised

The following investigations were finalised during 2005/06:

Table 4

Product	Country	Date finalised	Result
Steel wheels	Brazil, PRC	26/08/05	No duty
Chopped strand mats	PRC, Chinese Taipei	30/09/05	Investigation terminated
Unframed glass mirrors	Chinese Taipei	26/08/05	Investigation terminated
Cheddar Cheese	Ireland	08/07/05	No duty
Wheat flour	India	17/06/05	No duty
Shock Tubes	PRC	27/01/06	Decision to initiate revoked

(v) Brought forward to 2006/07

The following investigations were finalised during 2005/06:

Table 5

Product	Country	Initiation	Stage
Sunflower oil	Argentina, Brazil	10/06/05	Final
BOPP film	Brazil	04/11/05	Prelim
Tyres	PRC	28/10/05	Prelim
Stainless steel pipes and tubes	PRC, Chinese Taipei, India, Malaysia	10/06/05	Final
Stainless steel pipes and tubes	Chinese Taipei	10/06/05	Final
Polyethylene terephthalate (PET)	Indonesia, Thailand, PRC, Chinese Taipei, India, South Korea	07/10/05	Final
Automotive glass	PRC	30/09/05	Prelim
L-Lysine Sulphate	USA	24/06/05	Prelim
Paperboard	South Korea	05/08/05	Final
Unframed glass mirrors	Chinese Taipei, India	27/05/05	Final
Drawn and float glass	Indonesia	04/03/06	Final

(b) Countervailing investigations

Countervailing investigations are conducted to determine whether to impose countervailing duties to protect the SACU industry against unfair trade practices where foreign producers export their products to SACU at subsidised prices, thereby causing material injury to the SACU industry.

No countervailing investigations were conducted during 2005/06.

(c) Interim reviews

Interim reviews of anti-dumping and countervailing duties are conducted at the request of any interested party to determine whether the continued imposition of anti-dumping or countervailing duties is justified at the existing level. An interested party requesting an interim review must prove that there are changed circumstances that have led to the change in the margin of dumping, the margin of subsidy or the injury experienced by the SACU industry.

The following investigations were initiated during 2005/06:

Table 6

Product	Country	Date initiated
Cold rolled steel	Russian Federation	29/07/05

(d) *New shipper reviews*

New shipper reviews are conducted on request in cases where an exporter in a country that is subject to a residual anti-dumping duty, which did not export to SACU during the original investigation period, wishes to start exporting to SACU, and where such an exporter is not related to any other party in the exporting country specifically covered by the anti-dumping duties. The purpose of the review is to enable the new shipper to prove that it will not be dumping the product on the SACU market.

No new shipper reviews were initiated in the 2005/06 fiscal year.

(e) *Sunset reviews*

Anti-dumping and countervailing duties remain in place for a period of five years after the imposition of the last substantive (margin of dumping and injury) review thereof, to determine whether there is a likelihood that the removal of the duty would lead to a continuation or recurrence of injurious dumping or injurious subsidised exports.

(i) Brought forward from 2004/05:

The following sunset reviews, which all related to anti-dumping duties, were brought forward from the previous year:

Table 7

Product	Country	Date initiated
Uncoated Woodfree A4 Paper	Brazil, Indonesia	02/04/04
Acetaminophenol	PRC, France, USA	11/06/04
Carbon black	Egypt, India	23/07/04
Paper Insulated cable	India	22/10/04
Blankets	PRC, Turkey	11/06/04
Bolts and nuts of iron or steel	PRC, Chinese Taipei	23/07/04

* PRC = People's Republic of China

(ii) Initiations

The following investigations were initiated during 2005/06:

Table 8

Product	Country	Date initiated
Garlic	PRC	23/09/05
Carbon black	Thailand	26/08/05
Chicken meat portions	USA	16/09/05

(iii) Finalised

The following investigations were finalised during 2005/06:

Table 9

Product	Country	Date finalised	Result
Carbon Black	Australia	13/10/05	Duty revoked
Acetaminophenol	PRC, France, USA	15/07/05	Duty imposed
Paper Insulated cable	India	11/11/05	Duty imposed
Blankets	Turkey	15/07/05	Duty imposed
Blankets	PRC	15/06/05	Duty imposed
Sutures	Germany	17/05/05	Duty revoked
Super tension cable	Germany	15/04/05	Duty revoked
Bolts and nuts of iron or steel	PRC, Chinese Taipei	03/06/05	Duty maintained
Garlic	PRC	10/03/06	Duty maintained

(f) *Anti-circumvention reviews*

Anti-circumvention reviews are undertaken in cases of alleged circumvention of anti-dumping or countervailing duties.

The following anti-circumvention reviews were initiated during 2005/06:

Table 10

Product	Country	Date published
Flat rolled products of iron or non-alloy steel	Malaysia	24/06/05

(f) Refund reviews

In cases where a party can show that it had paid an anti-dumping duty in excess of the actual margin of dumping for the period, it may request a refund to the extent of the overpayment.

No refund reviews were conducted during 2004/05.

Tariff Investigations

The core business of the Tariff Investigations Unit is to administer ordinary customs duties, rebate and drawback amendments.

The objective of this unit is:

- to contribute towards international competitiveness;
- encourage specialisation and rationalisation;
- support sustainable industrialisation;
- reduce production costs; and
- promote downstream value addition in a way that contributes to growth, employment and equity.

This responsibility is carried out by providing operational customs tariff policy advice to the Commission. The unit conducts research and rigorous investigations into the industry, gathering data and information to enable the Commission to make informed recommendations to the Minister of Trade and Industry regarding the amendment of the customs duties. These recommendations give effect to the amendment of the Customs and Excise Act.

Besides the customs duty amendments stated above, the unit administers various rebates falling under Schedule 3, 4, and 5 of the Customs and Excise Act, 1964. This administration is done by issuing permits and certificates according to the Customs and Excise Act, 1964 and set guidelines, cutting across all sectors, granting permission to qualifying industry users to clear goods imported without paying customs duties or obtaining a refund. The unit's flagships in these rebates are two key industrial development programs of **the dti**, namely the Duty Credit Certificate Scheme (DCCS) and the Motor Industry Development Programme (MIDP).

1.1 Tariff Investigations offerings

Customs duties administered under Schedule 1 of the Customs and Excise Act, 1964, are a tax on imported goods, whereas rebate provisions under Schedule 3 to 5 are a waiver of duties provided for domestic industries. Ordinary customs duties are distinguished

from anti-dumping and countervailing duties, and safeguard measures in the sense that the former (customs duties) are used in respect of normal competition, whereas the latter (anti-dumping duties, countervailing duties, and safeguard measures) are used in respect of unfair trade. Rebate provisions allow manufacturers to source inputs for downstream manufacturing at internationally competitive prices and to promote exports.

Schedule 1

Under Schedule 1 of the Customs and Excise Act, the Tariff Investigations unit is responsible for tariff amendments, which include an increase or reduction in customs duties.

An increase in the rate of customs duty is a customs tariff intervention developed for the encouragement and support of sustainable industrialisation. A reduction in the rate of customs duty is designed to enable consumers and economic operators to have access to other markets in sourcing products and materials, which are not available in the SACU.

Schedule 3

Under Schedule 3 of the Customs and Excise Act, the unit is responsible for the administration of industrial rebate provisions. A rebate provision is created to enable manufacturers to source input materials that are not available in the SACU from other markets, thereby enabling them to compete with similar imported end products. Over and above industrial rebates, the section is also responsible for the administration of permit rebates, such as:

- ❑ Rebate item 311.02/63.09/10.04: the recovery of fibers.
- ❑ Rebate item 311.18/63.09/01.04: manufacture of industrial wipes.
- ❑ Rebate item 304.01: meat for the manufacture of prepared or preserved meat.

Schedule 4

Under Schedule 4 of the Customs and Excise Act, the unit is responsible for the administration of rebate provisions that are not necessarily linked to a manufacturing process, as is the case with third schedule rebates.

Rebate item 317.04 - The Motor Industry Development Programme: positioning the automotive industry to compete in a global economy

The MIDP was implemented in 1995 to assist the motor industry in the SACU to improve its domestic and international competitiveness in the face of immediate trade liberalisation.

The programme enables motor vehicle manufacturers to benefit from tariff protection against imported completely built-up motor vehicles. Automotive component manufacturers that supply components for fitment into domestically assembled motor vehicles are similarly protected by way of tariff protection. A duty free allowance allows motor vehicle manufacturers to import automotive components that cannot be economically produced in the SACU. This limits the cost-raising effect of import duties on components. Automotive components and motor vehicles manufactured in the SACU and exported to the global market qualify for Import Rebate Credit Certificate (IRCC). As the SACU market is limited, exports of automotive components and motor vehicles form part of the MIDP. This is aimed at achieving longer production runs and consequently a lower cost of production per unit.

The programme comprises four principal components:

- ❑ A gradual reduction in import duties on both vehicles and original equipment components,
- ❑ An export-import complementation scheme under which vehicle and component exporters can earn tradable IRCCs to rebate duties on imported vehicles and automotive components.
- ❑ A duty free allowance on imported original equipment components of 27% of the wholesale value of vehicles produced for the domestic market.
- ❑ A productive asset allowance (PAA) for those motor vehicle manufacturers that have rationalised the range of motor vehicles manufactured in the SACU and produce motor vehicles for the global market. Automotive component manufacturers that supply components for the rationalised range of vehicles also benefit under the PAA.

Going forward, the MIDP is under review and faces formidable challenges with regard to structural changes. The review is expected to take ten to twelve months to complete.

Rebate item 460.11/00.00/06.00 - The Duty Credit Certificate Scheme for Exporters of Textiles and Clothing

The aim of the DCCS Scheme is to assist the textile and clothing manufacturing industry in South Africa to obtain efficiency and to compete internationally. Specialisation in export products is encouraged whilst the participant's domestic product range can be broadened by importation of certain prescribed textile and clothing products duty free, using the duty credit certificate.

The 2005/06-export year was difficult for exporters due to major strengthening of the Rand. By mid February 2006, 172 claims valued at approximately R152 643 048 were received. A total number of 1 160 certificates were issued, including sales and transfers from Botswana, Lesotho, Namibia and Swaziland (BLNS) countries.

The DCCS Scheme terminated on 31 March 2005. At the end of the year under review, the Minister of Trade and Industry had not yet approved the interim Textile and Clothing Development Programme that will be in place for a period of two years, commencing retrospectively on 1 April 2005. During this period, Trade and Investment South Africa (TISA) will be completing an impact study and review the policy on the textile and clothing industry through the Customised Sector Programme (CSP) developed by **the dti**.

Other frequently used rebate provisions under this schedule are:

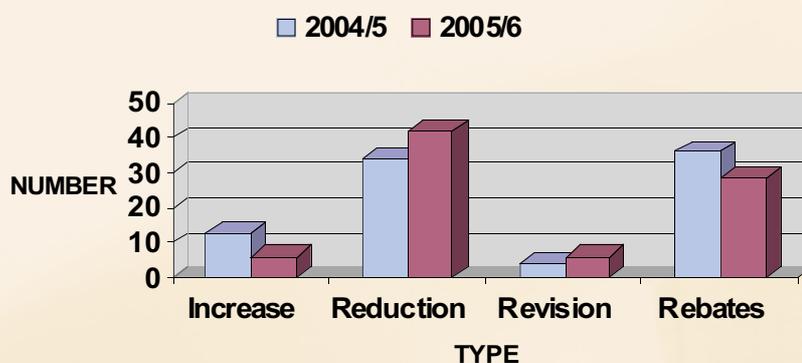
- ❑ Rebate item 470.03 which promotes manufacturing for purposes of export by waiving the duty on inputs that are used in the manufacture of these goods;
- ❑ Rebate item 405.04, which rebates duties on donated goods from abroad. It allows for the clearing of such goods without paying the customs duty. There is a strong social dimension in this rebate provision in terms of addressing, in particular, the needs of the poor.

Schedule 5

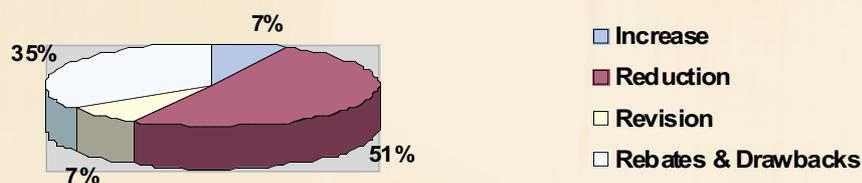
This schedule provides for drawbacks and refunds of customs duties. Under this schedule, the Tariff Investigations unit is responsible for the administration of drawback item 521.00 which promotes manufacturing for purposes of export by refunding the duty on input materials that were used in the manufacture of goods for export.

2. PERFORMANCE OVERVIEW OF INSTRUMENTS/OFFERINGS ADMINISTERED BY TARIFF INVESTIGATIONS

Tariff Amendment Applications for 2004/05 to 2005/06



Tariff Amendment Applications for 2005/6



2.1 Schedule 1

Table 11: Increase applications

Applicant	Sector	Products	Comments ⁽¹⁾
SAPPO	Agro-Processing	Pork and pork products	In process: Final stage
Textile Federation	Textiles, Clothing and Footwear	Fabric	Withdrawn
Steelmor Industries	Metals & Machinery	Stainless steel flanges and butt welding fittings	Rejected
Gedore Tools SA (Pty) Ltd	Metals & Machinery	Steel spanners	In process: Publication stage
O E Bearings	Motors	Split bearing hoses	Rejected
Pretoria Clutch and Brake	Motors	Clutches and parts thereof	Withdrawn

The Commission considered six applications for ordinary customs duty increases. Two applications were rejected, two were withdrawn by the applicant and two are still in process. Only one increase was recommended and this pertained to sugar confectionery. However, this application was published as a review of the customs duty and is included under the section dealing with

revisions. These results are reflective of the customs tariff policy in which the general rule is to reduce duties and increases are only considered under exceptional circumstances. The intention is to lower production costs, thereby increasing international competitiveness and diversifying the product range available to consumers.

Table 12: Reduction applications

Applicant	Sector	Products	Comments
Deloitte o b o Marine Growers	Agro-Processing	Abalone feed	In process: Publication stage
Bethdin	Agro-Processing	Malzah bread	Rejected
The Lion Match	Agro-Processing	Match splints	In process: Preliminary stage
Salmon Salar Farm	Agro-Processing	Salmon feed	In process: Preliminary stage
Savoury Food Industries	Agro-Processing	Natural beef stock	In process: Preliminary stage
National Brands	Agro-Processing	Potato flakes	In process: Preliminary stage
KCP Products	Chemicals	Promensil and Rimostil	Rejected
Plascon	Chemicals	N-butyl acetate	Decision. Duty reduced from 15% <u>ad valorem</u> to free of duty. TH: 2915.33
Keneron	Chemicals	Polyurethane tape	Decision. Duty reduced from 15% <u>ad valorem</u> to free of duty. THs: 3919.10.07 and 3919.90.07
Villa Crop Protection	Chemicals	Alachlor	Rejected
Henkel	Chemicals	VAE	Rejected
Holomatrix	Chemicals	Holographic laminate	Decision. Duty reduced from 15% <u>ad valorem</u> to free. TH: 3919.10.45
Orchem	Chemicals	Mercaptobenzothiazole, Derivatives: p-phenylene, octylated diphenylamine	Decision. Duty reduced from 10% <u>ad valorem</u> to free. THs 2934.20.15, 2921.51.30 and 2921.44.30

Applicant	Sector	Products	Comments
Palmer Rubber	Chemicals	Polypropylene granules	Rejected
Gundel Plastall	Chemicals	Polypropylene bags	Rejected
Kirsch Pharma	Chemicals	Trimethoprim	In process: Final stage
Unistraw	Chemicals	Drinking straw system	In process: Preliminary stage
Kodak SA	Chemicals	X-ray film	In process: Preliminary stage
Aspen	Chemicals	Tenofofir Desproxil	In process: Preliminary stage
Daimler Chrysler	Motors	Separate tariff for vehicle	Rejected
Daimler Chrysler	Motors	Separate tariff for vehicle	In process: Preliminary stage
Hudaco	Motors	Bearing housing	In process: Final stage
Dunlop Tyres	Motors	Forged aluminium truck wheel	Rejected
Feltex	Motors	Rock wool	Rejected
Trysome Auto Electrical	Motors	Other lighting and signalling equipment for off road vehicles	Rejected
Toyota	Motors	Hybrid vehicle	Rejected
AMID	Motors	Quadrucycles	Withdrawn
ZF SA (Pty) Ltd	Motors	Gearbox parts	In process: Preliminary stage
SARS	Motors	Track links and parts	In process: Final stage
Bell Equipment	Metals and Machinery	Diesel engines	In process: Final stage
Bell Equipment	Metals and Machinery	Forklift Trucks	In process: Preliminary stage
Prosound	Metals and Machinery	Theatre lights	In process: Preliminary stage
Cape Gate (Pty) Ltd	Metals and Machinery	Electric arc furnaces	Withdrawn
Xikhovha advisory	Metals and Machinery	Sunglasses	Decision: Duty reduced from 10% <i>ad valorem</i> to free. TH: 9004.10

Applicant	Sector	Products	Comments
Harold J Drinn	Metals and Machinery	Shotgun cartridges	In process: Final stage
Creative Housewares	Metals and Machinery	Resistors	Rejected
Macsteel	Metals and Machinery	Seamless pipes	Decision: Duty reduced from 10% <u>ad valorem</u> to free. TH: 7304.59.49, 7304.39.35
Safcor Panalpina	Metals and Machinery	Fork-lift trucks	Decision: Duty reduced from 15% <u>ad valorem</u> to free. TH: 8427.20.20
X-Treme Off-Road Karts (Pty) Ltd	Metals and Machinery	Go-Kart vehicles	Decision: Duty reduced from 36% <u>ad valorem</u> to free. TH: 8703.21
Silk By Design	Textile, clothing and Footwear	Artificial flowers	In process: Final stage
Kevin Bates	Textile, clothing and Footwear	Carpet tiles	In process: Preliminary stage
Fascination wigs	Textile, clothing and Footwear	Human hair wigs/ hair pieces	In process: Preliminary stage

Table 12 shows that the Commission considered 42 customs reduction applications, eight were approved and twelve were rejected; as they could not be justified in terms of the customs tariff policy. Twenty applications are still in the process of being finalised and two applications have been withdrawn.

Approved reductions in the chemical sector have far-reaching benefits to the SA economy, as this sector supports diverse sectors such as agriculture, clothing and textile, housing and construction, automotive and mining.

In the Customs Tariff Policy context, tariff relief created an opportunity for growth in the metals and machinery sector by encouraging efficiency in the sustainable supply of goods.

The reductions were effected to serve developmental and broader economic objectives, which will manifest in price reduction and/or price stability in the domestic sale of the imported products and end products.

The sharp increase in the number of applications for reductions could be interpreted to mean that some sectors, in particular the industrial goods sector, are responsive to the trade policy trajectory of reducing duties.

Table 13: Applications for revision of the customs duty

Applicant	Sector	Products	Comments
SACSMa	Agro-Processing	Sugar confectionery	Decision: Increase duty from 25% to 37%. TH: 1704.90
Grain SA	Agro-Processing	Wheat	Decision: Convert formula duty of 1.867c/kg to an <u>ad valorem</u> duty of 2%. TH: 1001.90 & 1101.00
ITAC	Agro-Processing	Maize	In process: Final stage
PIFSA	Agro-Processing	Paper and paperboard	In process: Final stage
ITAC	Metals and Machinery	Iron & steel	In process: Final stage
ITAC	Metals and Machinery	Electric arc furnaces	In process: Preliminary stage

Table 13 reflects applications for a revision of the tariff regime for specified products. When ITAC reviews duty structures, the objective is to make an encompassing intervention for the sector in its entirety and not just a product, as is the case with the other tariff amendment investigations.

The table also indicates that most revisions are in the agricultural sector, which could be as a result of the global trade dispensation in this sector. Six revisions were applied for during the period of review, one of which resulted in an increase in the rate of duty, one in which the formula duty was converted into an ad valorem duty and four are still in process.

2.2 Schedule 3

Table 14: Industrial rebates & refunds

Applicant	Sector	Products	Comments
Nampak Tissue	Agro-Processing	Products for diapers and napkins	Rejected
Espin Manufacturing	Agro-Processing	Products for diapers	Decision: Rebate created for full duty. TH: 3919.10, 3920.20, 5603.1, 5903.90
Blue Atlantic etc.	Agro-Processing	Salmon	Rejected
Sasol	Agro-Processing	Soyabean for biodiesel	In process: Preliminary stage
Evrigard	Textiles, Clothing and	Glove inners Footwear	Decision: Rebate created for full duty. TH: 6116.92, 6116.93
Vynide	Chemicals	Flexible PVC sheet	In process: Final stage
Bayer	Chemicals	Dried granular carrier	Withdrawn
Unilever	Chemicals	Caustic soda for soaps	In process: Preliminary stage
New World Industries	Metals and Machinery	Components	Decision: Rebate created for full duty. TH: 7321.8, 8516.2
Bell Equipment	Motors	Tyres for heavy motor vehicles	Rejected
Dunlop Tyres	Motors	Automotive components	Decision: Rebate created for full duty. TH: Various
DTI	Motors	Automotive components	Rejected
ITAC	Motors	Refund for motor vehicles	In process: Final stage
Defy	Metals and Machinery	Heating resistors	In process: Final stage
Jasco Trading	Metals and Machinery	Silicon wire	In process: Final stage
Feltex	Motors	Rockwool	Withdrawn
Jikelele Material Handling	Metals and Machinery	Crane components	In process: Preliminary stage

Table 14: Industrial rebates & refunds

Applicant	Sector	Products	Comments
Smiths Manufacturing	Motors	Rubber hoses	Rejected
Smiths Manufacturing	Motors	Hoses for automotive air conditioners	In process: Preliminary stage
Creative Housewares	Metals and Machinery	Heating resistors	Rejected
National Cap	Textiles, Clothing and Footwear	Nylon mash fabric	In process: Publication period
National Cap	Textiles, Clothing and Footwear	Woven fabrics	In process: Preliminary stage
Polydye	Textiles, Clothing and Footwear	Yarn	In process: Final stage
ITAC	Textiles, Clothing and Footwear	Textiles	In process: Final stage
ITAC	Textiles, Clothing and Footwear	Footwear and related industries	Withdrawn
Rosschef	Textiles, Clothing and Footwear	Medical vests	Rejected
SACTMA	Textiles, Clothing and Footwear	Cotton lint	Rejected
Darex/ WR Grace	Textiles, Clothing and Footwear	PVC compound	Withdrawn
Vynide	Textiles, Clothing and Footwear	Silicone coated paper	Decision: Rebate created for full duty. TH: 4811.5

Rebate provisions are only considered in instances where customs tariff interventions under Schedule 1 of the Customs and Excise Act cannot be made. The Commission considered 29 applications pertaining to the amendment and creation of rebate provisions. One application was for a refund, eight applications were rejected and eleven are still in process. The Commission created five rebate provisions and four applications were withdrawn.

Various other rebate provisions:

Rebate provision 304.01

ITAC allowed, by specific permits, for the importation of 3 590 tons of meat of bovine

animals and 1 040 tons of sheep or goats meat under the provisions of item 304.01. The imports of meat of bovine animals decreased by 15% and that of sheep or goats increased by 197% during 2005/06 compared with imports during the same period in the previous financial year.

Rebate item 311.02 and 311.18

During the year under review, one permit was issued in terms of rebate item 311.02. There is only one company in the SACU that has the facility to recover fibres.

Thirty three permits were issued in terms of rebate item 311.18.

2.3 Schedule 4

Rebate item 470.03

The Commission issued 415 permits in terms of rebate item 470.03 as compared to 488 permits in the previous financial year. This reflects a decline of 18%, which can be attributed to the strengthening of the Rand against most foreign currencies.

DCCS - Rebate item 460.11

During the year, 172 claims were received valued at approximately R152 643 048. A total of 1 216 certificates were issued, which include sales and transfers from BLNS countries.

MIDP - Rebate item 460.17

During the period under review, 3 473 IRCCs to the value of R20 billion were issued, whilst 3 550 IRCCs to the value of R19 billion were approved and issued in the previous year.

Under the Productive Asset Allowance (PAA), four applications were received and approved at an estimated value of investment of R94 million. There were 63 PAA certificates issued as compared to the 44 certificates issued in the previous year. The increase of 43% was as a

result of further direct investments in the manufacturing of motor vehicles destined for the international market.

The above is indicative of good performance by the motor industry, which is attributable to the MIDP. This performance has to a great extent been driven by exports. The majority of component exports included catalytic converters, engine and engine parts, and stitched leather seats. However, the highest value of exported products was passenger cars.

Rebate item 405.04

The Commission issued 164 permits in the current year and 103 were issued in the previous reporting year, which reflects an increase of 59%. The trend is in line with Government's policy to alleviate poverty through the distribution of duty free donated goods to the poor.

2.4 Schedule 5

Drawback item 521.00

During the period under review, the Commission issued 303 permits in terms of drawback item 521.00. This reflects a decline of 2%.

Southern African Customs Union (SACU)

South Africa is a member of the Southern African Customs Union (SACU). The SACU Agreement was concluded in October 2002 replacing the 1969 Agreement. SACU aims to:

Advance the economic development of its member countries (Botswana, Lesotho, Namibia, Swaziland and South Africa), diversify their economies and afford all parties equitable benefits arising from intra – union and international trade.

The new SACU Agreement makes provision for national bodies in all the member states and a tariff board to deal with tariff amendment investigations. ITAC is South Africa's national body. As the only established national body in the region, ITAC has a significant role to play in the implementation of the SACU agreement and is supporting some of the projects that have been identified as part of the SACU Strategic Initiative. In light of the importance of the establishment of all the new SACU structures, ITAC created a new unit to deal with all the issues relating to SACU. Officials

from ITAC attend the SACU technical liaison committee meetings as well as the SACU Commission meetings.

The SACU Council of Ministers agreed at the 4th Council meeting held in Windhoek that South Africa was to assist in building capacity in the other member states to enable them to set up their own national bodies. ITAC started capacity building by presenting workshops on the work that it does, in the other member states. It was further agreed with the other member states that ITAC would assist with capacity building by providing on the job training to staff of these member states that will be seconded to ITAC for a period of twelve to eighteen months. At the end of their secondment period, these officials will return to their countries to assist in setting up national bodies.

ITAC is also contributing to the development of Annexes to the SACU Agreement, especially those on the establishment of National Bodies and SACU Tariff Board.

Legal Services

The Commission experienced a sharp increase in litigation during the year. The cases centred mostly on anti-dumping investigations where certain parties involved took legal action against the Commission's decisions.

In terms of the ITA Act, the Commission's decisions or recommendations may be taken on review to the High Court of South Africa. This increase in litigation had a serious impact on the financial and physical resources of the Commission.

The Commission also initiated a process of making amendments to the ITA Act. The Safeguard Regulations were also amended to make provision

for Safeguards in terms of the WTO Agreement on agriculture.

After extensive internal and external consultations, the Commission drafted regulations for tariff investigations. These regulations are part of an effort by the Commission to streamline its investigations and enhance uniformity and transparency in its core business areas. The regulations, when approved by the Minister of Trade and Industry, will govern the procedural aspects of Commission investigations dealing with reductions or increases in the rate of ordinary customs duties and the creation or removal of rebate and drawback provisions.

Human Capital

STAFFING

The major activities during the year under review related to recruitment, placement and retention of staff in strategic positions aimed at capacitating the organisation to fulfil its mandate of enabling fair trade.

ITAC faces the challenge of identifying individuals with appropriate skills and attributes to join ITAC Core Business units and other specialised skills areas.

The underlying cause for the current state of affairs can be attributed to the fact that ITAC does not

have a competency profile to determine the relevant skills and attributes required for particular roles. A proper work-study to this effect was never undertaken when the organisation was established.

A new induction programme was adopted recently. It is hoped that this will assist in minimising the impact of the lack of job skills match and the challenges relating to organisation fit of new recruits.

The development of proper workflow charts by senior managers should also help new employees in adapting to their new environment.

RECRUITMENT, PROMOTIONS AND RESIGNATIONS

Table 15: Recruitment, Promotions and Resignations

Rank	No. Recruited	No. Promoted	No. Resigned
General Manager: Core Business	0	1	0
General Manager: Corporate Services	1	0	0
Senior Manager: Tariff Investigations	1	1	1
Managers	4	1	1
Chief Information Officer	1	0	0
Chief Financial Officer	1	0	1
Specialist: HRM	2	0	1
HR: Practitioner	1	0	0
HR: Assistant	1	0	1
Senior Manager: HR	0	0	1
Investigator	2	1	0
Chief Operations Officer	0	0	1
Senior Manager: External Relations	0	0	1
Secretary	2	0	1
Assistant Managers	1	2	0
Senior Investigator	0	0	2
Personal Assistant	0	1	0
TOTAL	17	7	11

Table 16:HR Table Establishment – ITAC

Units	Rank	Approved Posts	Filled Posts	Vacant Posts
Office of the Chief Commissioner	Chief Commissioner	1	1	0
	Personal Assistant	1	1	0
	Senior Manager: Strategic Support	1	1	0
	Deputy Chief Commissioner	1	1	0
	General Manager: Corporate Services	1	1	0
	General Manager:Core Business	1	1	0
Office of the Deputy Chief Commissioner	Personal Assistant	1	0	1
	Senior Manager: Policy & Legal Services	1	1	0
	Secretary - Commission	1	1	0
	Senior Manager: External Relations	1	0	1
	Senior Manager: Trade Monitoring	1	0	1
Policy & Legal Services	Manager	2	1	1
Secreteriat	Assistant Secretary: Commission	1	1	0
GM-Corporate Services	Personal Assistant	1	1	0
	Senior Manager: Human Resources	1	0	1
	Chief Information Officer	1	1	0
	Chief Finance Officer	1	1	0
	Manager: Communications	1	1	0
Human Resources	Manager:Labour Relations & HR	1	1	0
	Specialist: HRD	1	1	0
	Specialist: HRM	1	1	0
	HR Practitioner	1	1	0
	Administrator:HR Assistant	1	1	0
Communications	Communication Officer	1	1	0
Information Technology	Administrator: IT Support	1	1	0
Finance and Admin	Manager: Finance and Admin	1	1	0
	Financial Accountant	2	2	0
	Bank and Cash:Clerk	1	1	0
	Administrator:Procurement Officer	1	1	0

Table 16 :HR Table Establishment – ITAC (continued)

Units	Rank	Approved Posts	Filled Posts	Vacant Posts	
Procurement	Manager: Supply Chain Management	1	1	0	
	Administrator: Supply Chain Management	1	0	1	
	Administration Assistant: Refreshment Officer	1	1	0	
	Administration Assistant: Messenger	2	2	0	
GM-Core Business	Personal Assistant	1	1	0	
	Senior Manager:Import & Export Control	1	1	0	
	Senior Manager:Tariff Investigations I	1	1	0	
	Senior Manager:Tariff Investigation II	1	1	0	
	Senior Manager: Trade Policy	1	0	1	
Import & Export Control	Senior Manager: Trade Remedies	1	1	0	
	Manager: Import & Export Control	2	2	0	
	Assistant Manager:Import & Export Control	3	3	0	
	Senior Investigator	4	4	0	
	Administrator	4	4	0	
	Administrator:Registry	3	3	0	
	Secretary:Import And Export Control	1	1	0	
	Senior Administrator:Import & Export Control	5	5	0	
	Tariff Investigation I	Manager:Tariff Investigation I	4	3	1
		Senior Administrator:Tariff Investigations I	1	1	0
Senior Investigator:Tariff Investigations I		7	7	0	
Investigator: Tariff Investigations I		3	0	3	
Admin Clerk		1	1	0	
Secretary		1	1	0	
Tariff Investigation II	Manager : Tariff investigations II	5	5	0	
	Administrator	1	0	1	
	Secretary	1	1	0	
	Senior Administrator: Tariff Investigation II	3	3	0	
	Senior Investigator: Investigator: Tariff Investigations II	14	14	0	
	Investigator: Tariff Investigations II	1	1	0	
Trade Remedies	Project Manager: Trade Remedies	10	8	2	
	Senior Investigator : Trade Remedies	9	6	3	
	Investigator: Trade Remedies	3	2	1	
	Secretary: Trade Remedies	1	1	0	
Trade Policy	Secretary	1	0	1	
Total Numbers of Employees		130	111	19	

Table 17: Employment Equity Plan

Gender	Number of Employees
Men	53
Women	58

Table 18: Employment Equity Plan

Grade	Race				Gender			
	Rank	African	Coloured	Indian	White	Female	Male	Total
Chief Commissioner	1	0	0	0	0	1	0	1
Deputy Chief Commissioner	1	0	0	0	0	0	1	1
General Managers	2	0	0	0	0	0	2	2
Senior Managers	3	1	0	0	4	4	4	8
Managers	11	0	1	1	13	10	15	25
Assistant Managers	4	2	1	1	1	6	2	8
Senior Investigators	17	0	0	2	12	6	25	31
Investigators	2	0	0	0	0	2	0	2
Senior Administrator	4	0	0	0	7	10	1	11
Administrators	9	0	0	0	4	10	3	13
HR Practitioner	1	0	0	0	0	1	0	1
Communication Officer	1	0	0	0	0	1	0	1
Personal Assistant	2	0	0	0	0	2	0	2
Bank & Cash Clerk	1	0	0	0	0	1	0	1
Secretary	2	0	0	0	2	4	0	4
TOTAL PERMANENT	61	3	4	43	58	53	111	

HUMAN RESOURCE INFORMATION SYSTEM (HRIS)

ITAC entered into a process of procuring a new HRIS. The installation hereof is critical if HR is to maintain credible information with integrity. The system has now been procured and it is hoped that it will assist in maintaining proper leave records and balances.

FOREIGN WORKERS

ITAC had only one foreign worker during this financial year. The incumbent, from the United States of America, occupied the post of Manager: Policy.

LEAVE

Employees receive their total yearly leave at the beginning of each financial year.

- Employees with less than ten (10) years receive 22 days per annum.
- Employees with ten (10) or more years receive a total of 26 days per annum.

INJURY ON DUTY

Two employees were injured on duty during the year. One fell with a tray while the other was involved in a car accident while performing investigations.

Injuries on duty cases were referred to the Department of Labour and medical reports submitted on the nature of the injuries.

LABOUR RELATIONS

ITAC had the following cases during the year:

- Corrective Action (Warnings Issued): 1
- Grievances: 2
- Disciplinary Hearings: 1
- Dismissals: 1
- Suspensions: 1
- Appeals: 1

CCMA CASES

Table 19: CCMA Cases

DISPUTES	POSITION HELD	CASE NO.	PROGRESS
1	Unfair Dismissal	GAPT 6489/05	Matter resolved and parties signed a separation agreement at the CCMA
1	Unfair Labour Practice	GAPT 1807/05	Matter referred to the CCMA that ruled in favour of the employee. ITAC is referring the matter to the Labour Court for review
1	Unfair Labour Practice/ Unfair Dismissal	GAPT 7702/05	The matter is still being arbitrated the CCMA

Table 20: HRD Training Report

Number of attendees	Programme	Male	Female	Introduction/Advanced
1	Designing and implementing databases	0	1	Advanced
3	Microsoft Excel	0	3	Intermediate
2	Microsoft Powerpoint	0	2	Basic
4	Microsoft Powerpoint	0	4	Advanced
1	Advanced Drivers license	1		Advanced
1	Effective Business Writing	1		Advanced
4	Effective speaking and presentation	2	2	Advanced
3	Financial management for non-financial managers	0	3	Intermediate
3	Macro economic analysis	1	2	Advanced
2	Minute taking	0	1	Advanced
2	Speedwriting and minute taking	0	2	Advanced
5	Secretaries workshop	0	5	Advanced
1	Protocol	0	1	Advanced
1	Employee Assistance Programme	0	1	Intermediate
6	Negotiation skills	5	1	Intermediate
9	Project management	6	3	Intermediate
9	PFMA	4	5	Advanced
5	Textile and Clothing course	2	3	Advanced
5	WTO Trade Policy	2	3	Intermediate
4	Trade Policy	2	2	Intermediate
56	Stress Management	19	37	Intermediate
11	Customs and Excise Training	7	4	Intermediate
1	Events Management	0	1	Intermediate
1	Powerspeaking	0	1	Advanced
24	WTO Safeguard training	13	11	Advanced

Annual Financial Statements

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STATEMENT OF RESPONSIBILITY

The International Trade Administration Act No. 71 of 2002 (ITA Act), requires the Chief Commissioner to ensure that the International Trade Administration Commission of South Africa maintains full and proper records of its financial affairs. The annual financial statements for the year ended 31 March 2006 fairly present the state of affairs of ITAC, its financial performance and its financial position at the end of the year in terms of SA statements of Generally Accepted Accounting Practice and Generally Recognised Accounting Practice as disclosed in the accounting policies. Consequently the annual financial statements have been prepared in accordance with GAAP and GRAP and as required by the International Trade Administration Act, 2002. These annual financial statements are based on appropriate accounting policies, supported by reasonable and prudent judgments.

The annual financial statements for the year ended 31 March 2006 are the responsibility of the Chief Commissioner. The Auditor-General is responsible for independently auditing and reporting on the financial statements.

The Chief Commissioner has reviewed the ITAC's budgets and cash flow forecasts for the year ended 31 March 2007. On the basis of this review, and in view of the current financial position and existing resources of the Department of Trade and Industry (**the dti**) by way of transfer payments to ITAC, the Chief Commissioner has every reason to believe that ITAC will be a going concern in the year ahead and the going concern-basis has therefore been adopted in preparing the financial statements.

To enable the Chief Commissioner to meet the above responsibilities, the Executive Committee sets standards and implements systems of internal control and risk management that are designed to provide reasonable, but not absolute assurance against material misstatements and losses. ITAC maintains internal financial controls to provide assurance regarding the safeguarding of assets against unauthorised use or disposition. For the year under review the Executive Committee was responsible for the maintenance of proper accounting records and the reliability of financial information.

The internal controls contain self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified. Even an effective system of internal control, no matter how well designed, has inherent limitations, including the possibility of circumvention or the overriding of controls. An effective system of internal control therefore aims to provide reasonable assurance with respect to the reliability of financial information and, in particular, financial statement presentation. Furthermore, because of changes in conditions, the effectiveness of internal controls may vary over time.

The Executive Committee has reviewed ITAC's systems of internal control and risk management for the year ended 31 March 2006, and is of the opinion that systems of internal control and risk management were effective for the period under review.

No material losses have occurred due to criminal conduct nor has any unauthorised, fruitless or wasteful expenditure been identified.

We are satisfied that these financial statements represent a fair reflection on the results of ITAC for the year ended 31 March 2006.

CORPORATE GOVERNANCE REPORT

ITAC adheres to a comprehensive set of policies designed in accordance with input from all appropriate stakeholders. This contributes towards the effectiveness of corporate governance strategies and in accordance with the PFMA.

Procurement delegations have been approved and the supply chain management framework implemented.

Internal Financial Control

Internal financial controls focus on the critical risk areas, which are identified by management and reviewed by the Audit Committee. The Executive committee and the governing structures are confident that the standards that have been set and the systems of internal control and accounting control that have been implemented are adequate to ensure the integrity and reliability of the Financial statements and accountability of ITAC's assets. These systems are continuously monitored throughout the year by both management and internal audit.

Risk Management

An independent risk management process is in place to enable management to effectively identify, evaluate and assess risk. The internal auditors monitor the prescribed procedures. In line with the Treasury Regulation requirements, the internal auditors have direct access to the Chief Commissioner, the Audit Committee and management.

A fraud prevention plan and a Materiality Framework have been developed and approved. No instances of fraud were identified during the year. In addition, it is a statutory requirement that the Auditor-General audit the Annual Financial Statements of ITAC and this has been duly done. The Auditor-General has completed the audit and issued the final report, which can be viewed on page 46 of the Annual Report.

REPORT OF THE AUDIT COMMITTEE

The ITAC audit committee, constituted in terms of the Public Finance Management Act 1 of 1999 (PFMA), has pleasure in presenting its report to the ITAC executive committee for 2006. The committee met four times during the year

Name	Attended %
T C Barnes – Chairperson	100
N Maimela – Chief Commissioner	100
H Buthelezi (resigned, 24 August 2005)	50
R Xaba	75
M Manyama (appointed 29 April 2005)	50

In addition to the above members, persons attending Committee meetings by standing invitation include the Deputy Chief Commissioner, the GM: Corporate Services, the Internal Auditors and representatives of the Auditor-General.

Responsibility

We confirm that we have appropriate terms of reference through our Charter and regulated our affairs in compliance with the Charter.

We further report that in our view, we have complied with our responsibilities in terms of section 51 of the PFMA and Treasury Regulations 27.1 and 27.2 respectively.

Effectiveness of financial controls and reporting

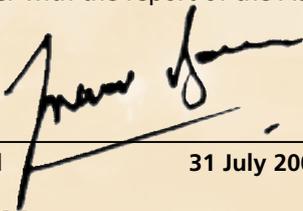
The system of internal control is effective as the various reports of the Internal Auditors, the Auditor-General report on the annual financial statements, the management letters of the Auditor-General have not reported any significant or material non-compliance with prescribed policies and procedures.

Evaluation of annual financial statements

We have:

- Reviewed the audited annual financial statements to be included in the annual report for 2006.
- Reviewed the Auditor General's management letter including management's responses,
- Satisfied ourselves that the major financial risks areas are appropriately managed and that the system of internal controls is effective.

The Audit committee concurs and accepts the conclusions of the Auditor-General on the annual financial statements and is of the opinion that the audited annual financial statements can be accepted and read together with the report of the Auditor-General

Signed  31 July 2006
Trevor C Barnes
Chairperson

REPORT OF THE AUDITOR - GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

1. Audit assignment

The financial statements as set out on pages 47 to 63 for the year ended 31 March 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996, read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 24(9) of the International Trade Administration Act, 2002 (Act No. 71 of 2002). These financial statements are the responsibility of the accounting authority. My responsibility is to express an opinion on these financial statements, based on the audit.

2. Scope

The audit was conducted in accordance with the International Standards on Auditing read with General Notice 544 of 2006, issued in Government Gazette no. 28723 of 10 April 2006 and General Notice 808 of 2006, issued in Government Gazette no. 28954 of 23 June 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements
- assessing the accounting principles used and significant estimates made by management
- evaluating the overall financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

3. Basis of accounting

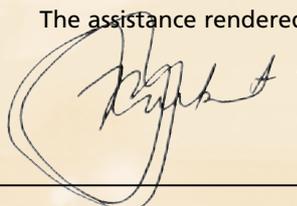
The entity's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as described in note 1.1 of the statement of accounting policies to the financial statements.

4. Audit opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the International Trade Administration Commission of South Africa (ITAC) at 31 March 2006 and the results of its operations and its cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury of South Africa, as described in note 1.1 of the statement of accounting policies to the financial statements, and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999).

5. Appreciation

The assistance rendered by the staff of ITAC during the audit is sincerely appreciated.



F Joubert for Auditor-General
Pretoria
31 July 2006



AUDITOR - GENERAL

REPORT OF THE ACCOUNTING AUTHORITY

1. Introduction

Report by the Accounting Authority to the Executive Authority and Parliament of the Republic of South Africa.

2. Operating results

The surplus of ITAC for the year was R2 844 308 (2005 : R6 920 311).

3. Review of operations

ITAC's primary source of revenue are monthly transfer payments from **the dti**. Funds were applied to defray personnel and administrative expenses, as well as costs involved in the establishment of ITAC's infrastructure, and the costs of litigation.

	2006	2005 (restated)
	R	R
Total operating costs	44 171 528	37 173 326
ITAC budget allocation from the dti	46 458 000	43 828 000

4. Review of financial position

ITAC has received approval from National Treasury to retain the accumulated surplus of R8 893 793.

These funds will be applied to the acquisition of office equipment to capacitate the SACU delegation, develop appropriate IT systems, a call centre, improvement of systems at the import and export control division and the installation of general operational systems.

5. Materiality and significant framework

ITAC has developed and adopted a materiality and significant issues framework for reporting losses through criminal conduct, irregular, fruitless or wasteful expenditure, as well as for significant transactions envisaged per section 54(2) of the PFMA.

6. Senior management remuneration

Disclosure of remuneration is detailed in note 4 to the annual financial statements.

7. Approval of the financial statements:

The financial statements set out on pages 47 to 63 have been approved by the Executive Committee and signed by the Chief Commissioner.



Nomonde Maimela
Chief Commissioner

Date: 31 July 2006

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2006

	Notes	2006 R	2005 R
Revenue			
Funds received from the dti	1	46 458 000	43 828 000
Interest income	2	557 836	265 637
Total revenue		47 015 836	44 093 637
Expenses			
Operating expenses		(44 133 585)	(37 119 183)
Finance cost	3	(37 943)	(54 143)
Total expense		(44 171 528)	(37 173 326)
Surplus for the year	4	2 844 308	6 920 311

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2006

	Notes	2006 R	2005 R
Assets			
Current assets			
		12 900 031	9 697 688
Inventory	5	32 810	23 619
Accounts receivable	6	146 602	1 129 884
Prepayments	7	342 968	30 096
Cash and cash equivalents	8	12 377 651	8 514 089
Non-current assets			
		2 560 498	2 649 734
Property, plant and equipment	9	2 327 079	2 372 873
Intangible assets	10	218 427	255 869
Accounts receivable	6	14 992	20 992
Total assets		15 460 529	12 347 422
Liabilities			
Current liabilities			
		4 446 996	3 899 964
Trade and other payables	11	2 481 071	1 592 380
Current portion of provisions	12	1 784 466	2 144 107
Finance lease	13	181 459	163 477
Non-current liabilities			
		2 119 740	2 397 973
Provisions	12	2 119 740	2 216 514
Finance lease	13	-	181 459
Total liabilities		6 566 736	6 297 937
Net assets			
		8 893 793	6 049 485
Accumulated surplus		8 893 793	6 049 485

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2006

	Note	Accumulated Surplus R
Balance at 1 April 2004		(870 826)
Net surplus for the year		6 920 311
Previously reported		6 937 105
Prior period error	14	(16 794)
Balance at 1 April 2005		6 049 485
Net surplus for the year		2 844 308
Balance at 31 March 2006		8 893 793

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2006

	Notes	2006 R	2005 R
Cash flows from operating activities			
Receipts			
Grants		46 458 000	43 828 000
Interest received		557 836	265 637
Payments			
Employee Costs		(27 622 710)	(23 902 242)
Suppliers		(13 897 303)	(11 035 264)
Interest paid		(37 943)	(54 143)
Net cash flows from operating activities	15	5 457 880	9 101 988
Cash flows from investing activities			
Acquisition of property, plant and equipment		(1 145 498)	(739 244)
Acquisition of intangible assets		(285 343)	(193 591)
Net cash utilised in investing activities		(1 430 841)	(932 835)
Cash flows from financing activities			
(Repayments on) / raising of finance lease liability		(163 477)	344 936
Net increase in cash and cash equivalents		3 863 562	8 514 089
Cash and cash equivalents at beginning of year		8 514 089	-
Cash and cash equivalents at end of the year	8	12 377 651	8 514 089

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2006

1. Accounting Policies

The annual financial statements have been prepared on the historical cost basis and include the following principal accounting policies of ITAC which are, in all material respects, consistent with those applied in the previous year, except as otherwise indicated.

1.1 Basis of preparation

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such Statements issued by the Accounting Practice Board, with the prescribed Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP statement as follows:

Standard of GRAP

GRAP 1: Presentation of financial statements
 GRAP 2: Cash flow statements
 GRAP 3: Accounting policies, changes in accounting estimates and errors

Replaced statement of GAAP

AC101: Presentation of financial statements
 AC118: Cash flow statements
 AC103: Accounting policies, changes in accounting estimates and errors

The recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP1, 2 & 3 have resulted in the following significant changes in the presentation of the financial statements:

1.2 Terminology differences:

Standard of GRAP

Statement of financial performance
 Statement of financial position
 Statement of changes in net assets
 Net Assets
 Surplus/deficit for the period
 Accumulated surplus/deficit
 Contributions from owners
 Distributions to owners
 Reporting date

Replaced statement of GAAP

Income statement
 Balance sheet
 Statement of changes in equity
 Equity
 Profit/loss for the period
 Retained earnings
 Share capital
 Dividends
 Balance sheet date

1.3. The cash flow statement can only be prepared in accordance with the direct method.

1.4 Specific information such as:

- a) receivables from non-exchange transactions, including taxes and transfers
- b) taxes and transfers payable
- c) trade and other payables from non-exchange transactions must be presented separately on the statement of financial position

1.5. The amount and the nature of any restrictions on cash balances is required to be disclosed.

Paragraph 11-15 of GRAP 1 has not been implemented as the budget reporting standard is in the process of being developed by the international and local standards-setters.

ACCOUNTING POLICIES (continued)

FOR THE YEAR ENDED 31 MARCH 2006

Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure does not affect fair presentation.

2. Presentation currency

These financial statements are presented in South African Rand, as that is the currency in which the majority of ITAC's transactions are denominated.

3. Revenue

Revenue comprises funds received from **the dti** and is recognised in the period in which it accrues.

4. Irregular, fruitless and wasteful expenditure

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with, a requirement of any applicable legislation, including:

- The PFMA, or
- Any national legislation providing for procurement procedures.

Fruitless and wasteful expenditure means expenditure that was made in vain and could have been avoided had reasonable care been exercised.

Any irregular, fruitless or wasteful expenditure is charged against income in the period in which it is incurred.

5. Taxation

ITAC is exempted for tax in terms of section 10(1)(c)(A) of the Income Tax Act, 1962.

6. Property, plant and equipment

Assets purchased for less than R1 000 are written off in the year of acquisition. Assets are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged to amortise assets to their residual values over their estimated useful lives, using the straight-line method, on the following bases:

Computer equipment	
Mainframe	5 years
Personal computers	3 years
Office furniture	6 years
Leased assets	3 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

The assets residual values and useful lives are reviewed and adjusted where appropriate at each reporting date.

Disposals

Any gain or loss arising from the disposal or retirement of an asset is determined as the difference between the proceeds and the carrying amount of the asset and is recognised as income or expense.

ACCOUNTING POLICIES (continued)

FOR THE YEAR ENDED 31 MARCH 2006

7. Intangible assets

Computer software

Costs associated with developing or maintaining in-house computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable software products controlled by ITAC and which generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Intangible assets are stated at historical cost less accumulated amortisation and are amortised over a period of two years on the straight-line method. Expenditure that enhances or extends the performance of software programmes beyond their original specifications is recognised as a new acquisition.

8. Impairment of tangible and Intangible assets

At each reporting date, ITAC reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amounts of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

Impairment losses are immediately recognised as an expense, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under the standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other standard.

9. Employee benefits

Post-employee benefits

Retirement

ITAC provides a defined benefit scheme for its employees, which is the Government Employee's Pension Fund. The fund is funded by payments from employees and ITAC. ITAC's contributions to the Government Employee's Pension Fund are charged to the statement of financial performance in the year to which they relate. ITAC is not liable for any deficit due to the difference between the present value of the benefit obligations and the fair value of the assets managed by the Government Employee's Pension Fund. Any potential liabilities are disclosed in the financial statements of the National Revenue Fund and not in the financial statements of ITAC.

Medical

No contributions are made by ITAC to the medical aid of retired employees.

ACCOUNTING POLICIES (continued)

FOR THE YEAR ENDED 31 MARCH 2006

Short and long-term benefits

The cost of all short-term employee benefits, such as salaries, bonuses, housing allowance, medical and other contributions, is recognised during the period in which the employee renders the related service.

The vesting portion of long-term benefits is recognised and provided for at the reporting date, based on current salary rates.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. ITAC recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. If the benefit falls due more than 12 months after reporting date, it is discounted to present value.

10. Inventory

Inventory consists mainly of stationery and consumables. Inventory is valued at the lower of cost and net realisable value determined on the first in first out basis.

11. Financial instruments

Financial instruments carried on the statement of financial position include cash and bank balances, trade receivables and trade payables. These financial instruments are generally carried at their estimated fair value, which is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction. ITAC is therefore exposed to the following risks:

- Interest rate risk, which is the risk that the value of a financial instrument will fluctuate due to the change in market interest rates with respect to cash and cash equivalents, and
- Credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, with respect to receivables and trade payables.

Recognition

Financial instruments are initially recognised using the trade date accounting method.

Measurement

Financial instruments are initially measured at cost, which includes transaction cost. Subsequent to initial recognition these instruments are measured at fair value.

Gains and losses arising from changes in the fair value of financial instruments are recognised as income or expense in the year in which they arise.

11.1 Trade and other receivables

Receivables are stated at anticipated realisable value net of allowance for irrecoverable amounts.

11.2 Trade and other payables

Trade and other payables are stated at their nominal value.

11.3 Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

ACCOUNTING POLICIES (continued)

FOR THE YEAR ENDED 31 MARCH 2006

12. Provisions

Provisions are recognised when the Commission has a present or constructive obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits that can be reliably estimated.

13. Leases

Leases of assets are classified as finance leases whenever the terms of the lease transfers substantially all the risks and rewards of ownership to the lessee. Assets held under finance leases are recognised as assets at the fair value at the inception of the lease or if lower at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the statement of financial performance.

All other leases are categorised as operating leases. Payments made under operating leases are charged against income on a straight line basis over the term of the relevant lease.

14. Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

	2006 R	2005 R
1. Funds received		
Funds received comprise transfer payments received from the dti	46 458 000	43 828 000
2 Interest income		
Bank accounts	557 836	265 637
3 Finance cost		
Capitalised finance lease	37 943	54 143
4. Included in surplus for the year are the following:		
Auditors' remuneration	(24 589)	380 439
- Fees for current year	355 850	380 439
- Prior year over provision	(380 439)	-
Audit committee	51 465	49 616
- Remuneration	44 469	41 682
- Expenses	6 996	7 934
Accounting services	-	134 864
Depreciation and amortisation	1 372 997	1 943 122
- Computer equipment and peripherals	758 289	848 621
- Office furniture	127 852	236 523
- Computer software	322 785	693 907
- Leased asset	164 071	164 071
Internal audit fees	423 196	354 493
Loss on disposal and scrapping of property, plant and equipment	139 256	265 015
Operating lease payments	5 451 962	2 568 322
- Buildings	4 931 315	2 118 611
- Motor vehicles	520 647	449 711
Legal costs	1 195 739	306 091
Personnel costs	27 622 710	23 902 242
Included in personnel costs are:		
- medical aid contributions	1 063 860	904 525
- Pension contributions	2 391 703	2 402 037

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2006

Executive remuneration	2006 R	2005 R
Personnel costs include gross remuneration of the following executives and senior staff:		
Chief Commissioner	650 000	681 290
- Basic	480 922	415 462
- Vehicle allowance	102 000	134 800
- Bonus	-	71 544
- Pension	50 700	47 022
- Medical	16 378	12 462
Deputy Chief Commissioner (appointed January 2005)	527 706	126 398
- Basic	391 745	92 437
- Vehicle allowance	126 001	31 471
- Medical	9 960	2 490
General Manager : Core Business (appointed September 2005)	334 917	-
- Basic	200 051	-
- Vehicle allowance	65 100	-
- Bonus	39 149	-
- Pension	24 765	-
- Medical	5 852	-
General Manager : Corporate Services (appointed November 2005)	211 278	-
- Basic	144 964	-
- Vehicle allowance	41 500	-
- Pension	17 347	-
- Medical	7 467	-
Chief Financial Officer (resigned April 2005)	38 329	456 638
- Basic	23 736	279 127
- Vehicle allowance	9 500	93 921
- Bonus	-	23 512
- Pension	2 990	40 728
- Medical	2 103	19 350
Chief Financial Officer (appointed October 2005)	231 369	-
- Basic	161 828	-
- Vehicle allowance	45 000	-
- Pension	18 079	-
- Medical	6 462	-
Chief Operating Officer (resigned August 2005)	270 881	510 928
- Basic	239 367	328 332
- Vehicle allowance	20 980	125 880
- Bonus	-	2 518
- Pension	7 043	39 475
- Medical	3 491	14 723
Number of employees at year end	<u>111</u>	<u>109</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2006

	2006 R	2005 R		
No material losses have occurred due to criminal conduct nor any unauthorised or wasteful expenditure, except as indicated below:				
- Theft of computer equipment	1 824	66 037		
5. Inventory				
Consumable stores	32 810	23 619		
6. Accounts receivable				
S A Revenue Service (VAT)	111 572	1 011 478		
Staff debtors	6 000	118 406		
Subsistence and travel advances	29 030	-		
Current	146 602	1 129 884		
Non-current portion of staff debtors	14 992	20 992		
	161 594	1 150 876		
7. Prepayments				
Software development	342 968	30 096		
8. Cash and cash equivalents				
Cash and cash equivalents comprise cash and short-term, highly liquid deposits that are held with Treasury approved banking institutions, with maturities of three months or less and that are subject to insignificant interest rate risk. Cash and cash equivalents are measured at realisable value.				
Cash at bank	552 693	6 128		
Call account	11 819 958	8 502 961		
Cash on hand	5 000	5 000		
Cash and cash equivalents	12 377 651	8 514 089		
9. Property, plant and equipment				
	Leased assets R	Computer equipment R	Office furniture R	Total R
2006				
Opening carrying amount	328 142	1 702 855	341 876	2 372 873
Cost	492 213	3 673 576	1 268 865	5 434 654
Accumulated depreciation	(164 071)	(1 970 721)	(926 989)	(3 061 781)
Additions	-	1 041 869	103 629	1 145 498
Disposals and losses	-	(91 060)	(50 020)	(141 080)
Depreciation	(164 071)	(758 289)	(127 852)	(1 050 212)
Closing carrying amount	164 071	1 895 375	267 633	2 327 079

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2006

	Leased asset R	Computer equipment R	Office furniture R	Total R
2005				
Opening carrying amount	-	2 409 931	803 965	3 213 896
Cost	-	3 532 031	1 494 431	5 026 462
Accumulated depreciation	-	(1 122 100)	(690 466)	(1 812 566)
Additions	492 213	247 031	-	739 244
Disposals and losses	-	(105 486)	(225 566)	(331 052)
Depreciation	(164 071)	(848 621)	(236 523)	(1 249 215)
Closing carrying amount	<u>328 142</u>	<u>1 702 855</u>	<u>341 876</u>	<u>2 372 873</u>

	2006 R	2005 R
10. Intangible assets - Software		
Opening net carrying amount	255 869	756 185
Gross cost capitalised	1 525 391	1 331 799
Accumulated amortisation	(1 269 522)	(575 614)
Additions	285 343	193 591
Amortisation	(322 785)	(693 907)
Closing net carrying amount	<u>218 427</u>	<u>255 869</u>
11. Trade and other payables		
Accruals	<u>2 481 071</u>	<u>1 592 380</u>

Management considers that the carrying amount of trade and other payables approximates their fair value, namely original debt less principal payments.

12. Provisions	Leave pay R	Performance bonus R	Service bonus R	Audit fees R	Accounting fees R	Total R
2006						
Opening balance	2 650 393	752 950	482 839	380 439	94 000	4 360 621
Reversal	-	-	-	(380 439)	(94 000)	(474 439)
Raised during the year	321 928	303 455	535 851	-	-	1 161 234
Utilisation during the year	(241 249)	(419 122)	(482 839)	-	-	(1 143 210)
Less current portion	(611 332)	(637 283)	(535 851)	-	-	(1 784 466)
Non current	<u>2 119 740</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2 119 740</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2006

Provisions	Leave pay	Performance bonus	Service bonus	Audit fees	Accounting fees	Total
	R	R	R	R	R	R
2005						
Opening balance	2 356 838	690 000	523 042	350 000	160 000	4 079 880
Provision raised during the year	323 851	646 550	482 839	333 473	41 800	1 828 513
Utilisation of provisions during the year	(30 296)	(583 600)	(523 042)	(303 034)	(107 800)	(1 547 772)
Less current portion	(433 879)	(752 950)	(482 839)	(380 439)	(94 000)	(2 144 107)
Non current	2 216 514	-	-	-	-	2 216 514

13. Finance lease

ITAC leases photocopiers on a finance lease. There is no restriction imposed on ITAC in terms of this lease. The obligation is secured by the lessor title to the leased asset. The lease can be extended for a further period after the initial period has expired (3 years).

2006	Up to 1 year R	2-3 years R	Total R
Future lease payments	201 420	-	201 420
Finance cost	(19 961)	-	(19 961)
Present value	181 459	-	181 459
2005			
Future lease payments	201 420	201 420	402 840
Finance cost	(37 943)	(19 961)	(57 904)
Present value	163 477	181 459	344 936

14. Prior period error

A finance lease agreement was incorrectly classified as operating lease expenditure during 2005. The effect of the adjustment is as follows:

	2006 R	2005 R
Increase in depreciation	-	164 071
Increase in finance cost	-	54 143
Decrease in operating lease expenditure	-	(201 420)
Decrease in net surplus	-	16 794
Increase in finance lease asset	-	328 142
Increase in finance lease liability	-	(344 936)
Decrease in net assets	-	(16 794)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2006

	2006 R	2005 R
15. Reconciliation of surplus to cash flows from operating activities		
Surplus	2 844 308	6 920 311
Adjusted for non cash flow movements		
Depreciation	1 050 212	1 249 215
Amortisation	322 785	693 907
Theft of equipment	1 824	66 037
Increase in payables	888 691	749 094
(Decrease) / increase in provisions	(456 415)	280 741
Losses on disposal of property, plant and equipment	139 256	265 015
Increase in inventory	(9 191)	(23 619)
Increase in other current assets	(312 872)	(30 096)
Decrease /(increase) in receivables	989 282	(1 068 617)
	<u>5 457 880</u>	<u>9 101 988</u>

16. Contingent liabilities

Guarantees

Staff housing

Legal fees

162 756

162 756

ITAC is involved presently in pending trade litigation and court cases, of which the outcome is not yet determinable. The estimated claims expected to be incurred are R390 000 (2005 : R300 000).

17. Capital commitments

Commitments for the acquisition of computer equipment and software

- approved and contracted

1 300 567

305 600

18. Operating lease commitments

At the reporting date there were outstanding commitments under non-cancellable operating leases, which fall due as follows :

2006	Up to 1 year R	2 to 5 years R	Total R
Premises - rent	4 931 315	19 725 260	24 656 575
Vehicles	453 516	-	453 516

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2006

2005	Up to 1 year R	2 to 5 years R	Total R
Premises - rent	1 000 482	-	1 000 482
Vehicles	397 824	-	397 824

There is no lease agreement between ITAC and **the dti** for the premises being occupied, thus the rate has been applied as if no increases will take place annually.

19. Related parties

The Department of Trade and Industry (**the dti**)

Transactions arise due to the transfer of funds from **the dti** to ITAC and payment of rental and other expenditure by ITAC to **the dti**. No other transactions occurred during the year with other government departments. The amounts included in the statement of financial performance are:

	2006 R	2005 R
Transfer payments received	46 458 000	43 828 000
Expenditure:		
Rent	4 931 315	2 118 611
Telephone & Internet	802 761	679 476

20. Events subsequent to year-end:

There were no significant events after reporting date, which require disclosure in the financial statements.

21. Financial instruments

Credit risk

Financial assets, which potentially subject ITAC to concentrations of risk, consist principally of trade receivables. Trade receivables are presented net of allowance for doubtful debt. ITAC has no significant concentration of credit risk.

Fair values

The fair values of the financial assets and liabilities are disclosed in the relevant notes.

Interest rate risk

ITAC's exposure to interest rate risk is managed by investing in bank accounts, which accrue interest at prevailing market rates.

22. Irregular expenditure

Irregular expenditure arose as a result of leases being entered into where substantially all the risks and rewards incidental to ownership were transferred to ITAC. This is synonymous with the definition of a finance lease as defined in South African Statements of Generally Accepted Accounting Practice IAS17 and Treasury Regulation 32.2.2. In accordance with Treasury Regulation 32.2.5(b) finance leases can only be entered into with the approval of the Minister of Finance. The intention of management was to acquire the use of the assets for an agreed period of time through the payment of a series of rentals and not to contravene Treasury Regulations or the Public Finance Management Act. As a result no individual can be held liable for the incurrence of the irregular expenditure.

