



International Trade Administration Commission of South Africa

The DTI Campus (Block E)
77 Meinjies Street
Sunnyside, Pretoria 0002
Private Bag X753
Pretoria 0001, South Africa
Tel: +27 12 394 0520
<http://www.itac.org.za>

REPORT NO. 334


INCREASE IN THE RATE OF CUSTOMS DUTY ON GLYCEROL

enabling



FAIR TRADE

The International Trade Administration Commission (ITAC) of South Africa herewith presents Report No. 334: Increase in the rate of customs duty on glycerol



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SIYABULELA TSENGIWE
CHIEF COMMISSIONER

PRETORIA

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REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 334

INCREASE IN THE RATE OF CUSTOMS DUTY ON GLYCEROL

Synopsis

The Commission considered an application from Organic Chemical Corporation (Pty) Ltd for an increase in the rate of customs duty on glycerol from free of duty to 10% ad valorem. Glycerol, classified under tariff subheading 2905.45, is an input into the manufacture of final consumer products, such as personal care items, cosmetics and pharmaceutical products.

This application flows from the recent review pertaining to the tariff structure of products classifiable under Chapters 25, 28, 29, 32, 34, 38 and 39.01 – 39.21 (excluding 39.17) of Schedule No. 1 to the Customs and Excise Act. The review stemmed from the recommendations contained in the National Industrial Policy Framework (NIPF). Interested parties were afforded the opportunity to submit comments. However, no comments were received with respect to the glycerol tariff subheading. The Commission subsequently recommended that the rate of customs duty on glycerol, as an important intermediate input, be reduced to free of customs duty. The tariff amendments were effected on 14 August 2009. The detailed outcome of the review is contained in the Commission's Report No. 282.

In light of its adjudication criteria, the Commission considered the current application and recommended the reinstatement of the customs duty to 10% ad valorem.

Introduction

Organic Chemical Corporation (Pty) Ltd applied for an increase in the rate of customs duty on glycerol, from free of duty to 10% ad valorem. The applicant is a local manufacturer of glycerol which is further used as an input product in the manufacture of consumer products such as personal care items, cosmetics and pharmaceutical products.

The application was published in the Government Gazette on 18 December 2009.

The Application

This application flows from the recent review pertaining to the tariff structure of products classifiable under Chapters 25, 28, 29, 32, 34, 38 and 39.01 – 39.21 (excluding 39.17) of Schedule No. 1 to the Customs and Excise Act. The review stemmed from the recommendations contained in the National Industrial Policy Framework (NIPF) and was concluded in August 2009. Interested parties were afforded the opportunity to submit comments. However, no comments were received with respect to the glycerol tariff subheading. The Commission subsequently recommended that the rate of customs duty on glycerol be reduced to free of duty. The tariff amendments were effected on 14 August 2009. The detailed outcome of the review is contained in the Commission's Report No. 282.

The applicant requested the reinstatement of the previous rate of customs duty of 10% ad valorem. As reasons for the application, the applicant stated that it was not aware of the published tariff review concerning upstream chemical products. The applicant further indicated that it would find it difficult to compete without the customs duty on glycerol.

The tariff structure for glycerol before and after the chemical products review is illustrated below in Table 1 and 2, respectively:

Table 1: Tariff structure of glycerol before the chemical review

Heading	Sub-heading	Article Description	Rate of Duty			
			General	EU	EFTA	SADC
29.05		Acyclic alcohols and their halogenated, sulphonated, nitrated or nitrosated derivatives:				
	2905.45	Glycerol	10%	3.8%	7.5%	free

Table 2: Tariff structure of glycerol after the chemical review

Heading	Sub-heading	Article Description	Rate of Duty			
			General	EU	EFTA	SADC
29.05		Acyclic alcohols and their halogenated, sulphonated, nitrated or nitrosated derivatives:				
	2905.45	Glycerol	free	free	free	free

The requested rate of duty of 10% ad valorem falls within the WTO bound rate limit of 15% ad valorem.

Industry and Market

Glycerol (commercially known as glycerine) is a refined principal by-product of biodiesel production and is derived from natural feedstock such as animal fat or vegetable oils. It is domestically manufactured by means of refining crude glycerol and removing impurities such as water, salts and untreated fats. The refined product is further used for a large number of applications which include the manufacturing of consumer products such as cosmetics, pharmaceutical and food products.

The applicant currently holds a significant share of the SACU manufacturing market for glycerol. A prospective biodiesel project, FIS Biofuels Ltd, earmarked to be situated in Richards Bay, KwaZulu-Natal supported the application. The refinery is expected to commence its biodiesel and glycerol operation in the first quarter of 2011.

Comments on the Application

Comments were received from two SACU manufacturers of personal care and beauty products containing glycerol: Amka Products (Pty) Ltd and Tiger Consumer Brands Limited that objected to the application on the basis that the SACU manufacturers cannot meet the total demand of glycerol in the SACU region. Both objectors argue that the customs duty increase would affect their pricing and competitiveness in the export market.

The aforementioned prospective biodiesel manufacturer supported the application on the basis that the lack of tariff protection will negatively affect the sustainability of their glycerol production in the SACU.

Findings

The Commission found that glycerol is manufactured in the SACU and that further investments are being planned from which economies of scale can be derived.

The Commission found that the applicant has been providing glycerol to the downstream industry in the required quantity and quality for several years. Furthermore, the planned investment in biodiesel and glycerol manufacturing, in addition to the existing local glycerol manufacturing capacity, would be sufficient to meet the SACU downstream industry's glycerol requirements.

The Commission also considered the competitive position of the applicant in the face of strong competition from abroad. The Commission decided that the reinstatement of the moderate rate of customs duty of 10% ad valorem would adequately support investment and employment in glycerol manufacturing without materially disadvantaging downstream production.

Recommendation

The Commission recommends that the rate of customs duty on glycerol, classifiable under tariff subheading 2905.45, be increased from free of duty to 10% ad valorem.

**NOTES REGARDING AMENDMENTS TO THE SCHEDULES
TO THE CUSTOMS AND EXCISE ACT, 1964**

28 MAY 2010

These notes are issued merely as a guide and both the old and new provisions should be studied in order to determine what the amendment actually entails. These notes have no legal status.

<i>Provision</i>	<i>Note</i>
2905.45	The effect of this amendment is that the rate of duty on glycerol, is increased from free of duty to 10%.

Government Gazette No. 33211

No. R.437

2010-05-28

CUSTOMS AND EXCISE ACT, 1964.
 AMENDMENT OF SCHEDULE NO. 1 (No. 1/1/1405)

In terms of section 48 of the Customs and Excise Act, 1964, Part 1 of Schedule No. 1 to the said Act is hereby amended to the extent set out in the Schedule hereto.

N NENE
 DEPUTY MINISTER OF FINANCE

SCHEDULE

By the substitution for the particulars appearing in the columns opposite the stated subheadings of the following:

Heading	Subheading		Article Description	Statistical Unit	Rate of Duty			
	C	D			General	EU	EFTA	SADC
29.05		2905.45	1 - - Glycerol	kg	10%	free	free	free