

REPORT NO. 299

**REDUCTION IN THE RATE OF DUTY
ON PENCIL LEADS**

The International Trade Administration Commission herewith presents its Report
No. 299: REDUCTION IN THE RATE OF DUTY ON PENCIL LEADS, with
recommendations.



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Siyabulela Tsengiwe
CHIEF COMMISSIONER

PRETORIA

24/03/09

REPUBLIC OF SOUTH AFRICA
INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 299

REDUCTION IN THE RATE OF DUTY ON PENCIL LEADS

Synopsis

Pentel SA (Pty) Ltd applied for a reduction in the rate of duty on leads for pencils. As reason for the application, the applicant stated that pencil leads are not manufactured domestically and that the duty is a cost burden to industry and consumers. The Commission found that pencil leads are not produced in the SACU region and therefore recommended that the duty on pencil leads be reduced to free of duty.

Introduction

1. Pentel SA (Pty) Ltd applied for a reduction in the rate of duty on leads for pencils as there are no domestic manufacturers of pencil leads and as the current duty is a cost-burden to industry and consumers.

The tariff position

2. Pencil leads, black or coloured, are classifiable under tariff subheading 9609.20 as follows:

Tariff sub-heading	Description	Rates of duty			
		General	EU	EFTA	SADC
96.09	Pencils (Excluding pencils of Heading 96.08), Crayons, Pencil leads, Pastels, Drawing Charcoal, Writing or Drawing Chalk and Tailors' Chalks:				
9609.10	-Pencils and crayons, with leads encased in a rigid sheath	20%	Free	17.6%	Free
9609.20	-Pencil leads, black or coloured	20%	10%	17.6%	Free
9609.90	-Other	20%	10%	17.6%	Free

The application was published in the Government Gazette for comment by interested parties. No objections were received to a possible reduction in the rate of duty on pencil leads.

The industry and the market

3. The applicant is the largest domestic retailer of stationery writing products, of which refill pencil lead represents a significant portion of its total business

activities.

4. The estimated market share of all the distributors involved, as supplied by the applicant, is as follows:

Role player	Market share (%)
Pilot	10%
Max Frank	10%
Scripto	15%
Faber Castell	20%
Pentel	45%
Total	100%

5. Total Imports for 2007 amounted to R3 592 946.

Findings

6. The Commission found that pencil leads are not manufactured in the SACU region and that the current duty of 20% *ad valorem* has a cost-raising effect on industry and consumers.

Recommendation

7. In the light of the foregoing, the Commission recommends that the rate of duty on pencil leads classifiable under tariff subheading 9609.20, be reduced to free of duty.

[T5/2/18/1 (32/2008)]