

Report No. 219

Rebate of the duty on reformat used in the manufacture of petrol

**The International Trade Administration Commission of South Africa
(ITAC) herewith presents Report No. 219: REBATE OF THE DUTY ON
REFORMATE USED IN THE MANUFACTURE OF PETROL**



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REPUBLIC OF SOUTH AFRICA
INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF
SOUTH AFRICA

REPORT NO. 219

REBATE OF THE DUTY ON REFORMATE USED IN THE MANUFACTURE OF PETROL

SYNOPSIS

The Commission considered an application by the South African Petroleum Industry Association, SAPIA, for the creation of a rebate provision for reformat used in the manufacture of petrol. Reformat is classifiable under tariff subheading 2710.11.90 with a rate of duty of 11c/li in the general and EU columns and free of duty in the SADC column.

As reason for the application, the applicant stated that the local supply of reformat is insufficient and that there is no substitute available in the SACU. The local petrol refining industry needs to comply with the Department of Minerals and Energy's requirement that lead additives can no longer be used in the manufacture of petrol in the quest for cleaner fuels.

The application was published in Government Gazette No. 29377 of 17 November 2006. Two Government departments supported the application and no objections were received.

The Commission decided to recommend a rebate of the full duty less 0.091c/li on fully refined preparations (commonly known as Reformat) produced by a catalytic reforming process, classifiable in tariff subheading 2710.11.90, for the manufacture of petrol of subheading 2710.11.02.

1. Introduction

- 1.1 SAPIA applied on behalf of BP SA (Pty) Ltd, Chevron SA (Pty) Ltd, Engen Ltd, Petro SA, Sasol Oil (Pty) Ltd, Shell SA (Pty) Ltd and Total SA (Pty) Ltd for the creation of a rebate provision for reformat used in the manufacture of petrol. Reformat is classifiable under tariff subheading 2710.11.90 with a rate of duty of 11c/litre in the general and EU columns and free of duty in the SADC column.

- 1.2 As reason for the application the applicant stated that the local supply of reformat is insufficient and that there is no substitute available in the SACU. The local petrol refining industry needs to comply with the Department of Minerals and Energy's requirement that lead additives can no longer be used in the manufacture of petrol.
- 1.3 On 25 October 2006, the Commission decided to publish the investigation for comment. It was published in Government Gazette No. 29377 dated 17 November 2006.
- 1.4 Reformate is produced by a refining process known as catalytic reforming, which changes the chemical structure of the hydrocarbons in low octane naphtha streams, thereby greatly increasing their octane. Reformate is a high-aromatic, high-octane petrol component and is being imported for the sole purpose of enabling manufacture of sufficient petrol of the required octane to meet market requirements, without the addition of lead. Reformate is used as a blend component in South African refineries.

2. **Tariff position**

- 2.1 The tariff structure for reformat and petrol are as shown in Table 1 below:

Table 1: Tariff structure of Reformate and petrol

| Heading | Sub-Heading | Article Description | Stat. Unit | Rate of Duty | | |
|---------|-------------|--|------------|--------------|-----------|------|
| | | | | General | EU | SADC |
| 27.10 | 2710.00 | Petroleum oils and oils obtained from bituminous minerals (excluding crude); preparations not elsewhere specified or included, containing by mass 70 per cent or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations; waste oils: | | | | |
| | 2710.11.02 | Petrol, as defined in Additional Note 1(b) | kg | 0.091c/li | 0.091c/li | free |
| | 2710.11.90 | Other | kg | 11c/li | 11c/li | free |

(Source: SARS)

- 2.2 Tariff heading 27.10 is under import control and import permits are issued on recommendation by the Department of Minerals and Energy (DME). SARS indicated that they would be in a position to administer a rebate provision.

3. Comments on the application

- 3.1 The dti supported the creation of a rebate provision for reformat as the rebate would have no adverse effect on the industry.
- 3.2 The South African Revenue Service (SARS) indicated that they would support the creation of a rebate provision for reformat to the same level of duty as petrol. The rebate provision would allow SARS to administer and control the use of reformat in the manufacture of petrol. Reformat is similar to ordinary petrol and should therefore be treated within the same regulatory environment.

4. Market information

- 4.1 Reformat is imported in raw form and cannot be sold directly into the market. A further process of refining is required before it can be sold as petrol. Reformat is used by BP SA (Pty) Ltd, Chevron SA (Pty) Ltd, Engen Ltd, Petro SA, Sasol Oil (Pty) Ltd, Shell SA (Pty) Ltd and Total SA (Pty) Ltd in the production of their petrol, which is sold countrywide.
- 4.2 The creation of the rebate provision for reformat will reduce the input cost for manufacturing unleaded petrol.

5. Findings

- 5.1 The Commission favourably considered the proposal by SARS of a partial rebate provision.
- 5.2 The importation of higher volumes of reformat is as a result of the need to comply with the Department of Minerals and Energy's requirement that lead additives can no longer be used in the manufacture of petrol. The use of lead-free petrol is in conformance with the Government's objectives for cleaner fuels.
- 5.3 The local supply of reformat is insufficient and there is no substitute available in the SACU.

6. Recommendation

- 6.1 In the light of the foregoing, the Commission decided to recommend that a rebate provision be created for rebate of the full duty less 0.091c/li on fully refined preparations (commonly known as reformat) produced by a catalytic reforming process, classifiable under tariff subheading 2710.11.90, for the manufacture of petrol of subheading 2710.11.02.