

## **Report No. 183**

# **Reduction in the rate of customs duty on drinking straws and application for rebate of the duty on components used in the manufacture of drinking straws**

The International Trade Administration Commission of South Africa herewith presents its **Report No. 183: REDUCTION IN THE RATE OF CUSTOMS DUTY FROM 20% AD VALOREM TO FREE OF DUTY ON DRINKING STRAWS CLASSIFIABLE UNDER TARIFF SUBHEADING 2106.90 AND APPLICATION FOR REBATE OF THE DUTY ON COMPONENTS USED IN THE MANUFACTURE OF DRINKING STRAWS**

  
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**Ms N P MAIMELA**  
**CHIEF COMMISSIONER**

**PRETORIA**

**.23. July.....2006**

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH  
AFRICA

REPORT NO. 183

**REDUCTION IN THE RATE OF CUSTOMS DUTY FROM 20% AD VALOREM TO FREE OF DUTY ON DRINKING STRAWS CLASSIFIABLE UNDER TARIFF SUBHEADING 2106.90 AND APPLICATION FOR REBATE OF THE DUTY ON COMPONENTS USED IN THE MANUFACTURE OF DRINKING STRAWS**

**Synopsis**

The Commission considered an application for a reduction in the rate of customs duty on drinking straws and an application for a rebate provision for components used in the manufacture of drinking straws.

As motivating factors for the application the applicant submitted that they intend to introduce a unique simple drinking system to increase milk consumption among the young, the aged and the sick by providing them with an easy to use portion-controlled and healthy way to include milk as part of their daily nutritional intake. Over time, nutritional drinking straws will be launched for HIV and TB sufferers, which would enable them to easily ingest supplements and nutrients. They further stated that the current 20% customs duty renders the cost of the product too high given their marketing strategy of a low profit margin and high sales volumes.

No objections were received during the publication period but the Plastics Federation of South Africa supported the application stating that they deem the Unistraw drinking system a unique product, which would not affect the SACU industry in a negative manner. The Milk Producers' Organization also supported the application stating that an increase in the uptake of raw milk will benefit dairy producers in the SACU.

The Commission found that the drinking straw system is not available in the SACU and according to ITAC's policy directive of eliminating the customs duties on products that are not manufactured within SACU, a reduction would be in line with this policy.

The applicant has not yet finalised the commissioning of a manufacturing plant and therefore the Commission decided not to support the application for the creation of a rebate provision for flavouring preparations and conically shaped filters used for the manufacture of drinking straws.

The Commission recommends that the rate of customs duty on drinking straws containing flavouring preparations be reduced from 20% to free of duty, by creating a new 8-digit tariff subheading.

## Introduction

Unistraw SA (hereon referred to as the applicant), applied for a reduction in the rate of customs duty on drinking straws and its components to free of duty. Drinking straws are classifiable under tariff subheading 2106.90.90 and its components under tariff subheading 3926.90.90. The duty on both products is 20 per cent ad valorem.

The application was published in the Government Gazette No. 28552 of 3 March 2006 and Government Gazette No. 28732 of 21 April 2006.

As motivating factors for the application the applicant submitted that:

- They intend to introduce a unique simple drinking system to the majority of South Africans, while at the same time encouraging increased milk consumption amongst children aged 3 – 15 years;
- The current 20% customs duty renders the cost of the product too high given their marketing strategy of a low profit margin and a high sales volumes;
- They wish to establish a market share before investing in a manufacturing facility; and
- They have the exclusive rights to manufacture, distribute and sell the product in Sub-Saharan Africa.

The Unistraw is a patented straw-drinking system consisting of a transparent straw, Unifilter and Unibeads. This product can add flavour, energy, vitamins, nutrition and pharmaceuticals to any liquid sipped through it.

## Tariff Position

The applicable tariff structure for the flavouring beads and the filters are set out in Table 1 below:

**Table 1: Tariff position for drinking straws, flavouring beads and filters**

Tariff heading	Tariff subheading	Description	Statistical unit	Rate of duty		
				General	EU	SADC
21.06		Food Preparations Not Elsewhere Specified or Included				
	2106.90	Other:				
	2106.90.90	Other	Kg	20%	17.6%	free
39.26		Other articles of plastics and articles of other materials of headings 39.01 to 39.14:				
	3926.90	Other:				
	3926.90.90	Other	Kg	20%	16%	free

(Source: Jacobsen's)

## Comments on the application

The Milk Producers Organisation supported the application stating that an increase in the uptake of raw milk will benefit dairy producers in the SACU.

Customs indicated that, should the application for the reduction in duty be successful, they would be able to administer a new 8-digit tariff subheading under 2106.90 for the product in question.

The Plastics Federation of South Africa supported the application stating that they deem the Unistraw drinking system a unique product, which will not affect the SACU industry in a negative manner.

### **Findings & recommendations**

The drinking straw system is not available in the SACU and according to ITAC's policy directive of eliminating the customs duties on products that are not manufactured within SACU, a reduction would be in line with this policy.

The incidence of the duty is deemed significant. The duty prohibits the applicant from selling his product at the market-researched price.

The Commission took into consideration that no objections were received to the application, and that the applicant has not yet commenced with the commissioning of a manufacturing plant.

In view of the above the Commission decided to recommend that:

- a) The rate of duty on drinking straws containing flavouring preparations be reduced from 20% to free of duty, by creating a new 8-digit tariff subheading in 2106.90; and
- b) The application for a rebate provision for flavouring preparations of tariff subheading 2106.90.90 and conical shaped filters of tariff subheading 3926.90.90 for the manufacture of drinking straws containing flavouring preparations not be supported as manufacturing has not yet commenced.

[48/2005]