

Report No. 120

Application for rebate of the full duty on donated clothing

**The International Trade Administration Commission herewith presents its
Report No. 120: APPLICATION FOR AN REBATE OF THE FULL DUTY ON
DONATED CLOTHING**



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DEPUTY CHIEF COMMISSIONER

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PRETORIA

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REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION

REPORT NO. 120

APPLICATION FOR REBATE OF THE FULL DUTY ON DONATED CLOTHING

Synopsis

In 2003, the Commission decided to review its policy with regard to donated clothing as a result of requests received from the Ministry, the **dti**, and sections of the community.

The application was published in the Government Gazette of 16 May 2003. Two religious organisations supported the application while organised Labour, in particular the South African Textile Workers Union (SACTWU), the Textile Federation and a large clothing and textile manufacturer, objected to the creation of such a rebate facility.

The Commission took into consideration that it would be extremely difficult for the authorities to administer the rebate provision relating to used clothing. The Commission also considered the possible detrimental effect on the domestic textile and clothing manufacturing industry.

In view of the above, the Commission decided to reject the application for a duty free provision for donated used clothing.

The application and the tariff position

In 2003, the Commission decided to review its policy with regard to donated clothing as a result of requests received from the Ministry, the **dti** and sections of the community.

The application was published in the Government Gazette on 16 May 2003 and interested parties were invited to submit detailed comments and information in support of their views.

The provision under item 405.04/00.00/06.00, which provided for rebate of the full duty on goods (excluding foodstuffs) forwarded free, as a donation to any educational organization, hospitals (including clinics), welfare organizations, religious organizations or sporting organizations on recommendation by the International Trade Administration Commission, subject to certain other conditions, was amended in May 2000 to exclude all clothing.

The abuse of the above-mentioned rebate facility led to its withdrawal. This abuse had a deleterious effect on the clothing manufacturing industry.

Worn clothing is classifiable under tariff subheading 6309.00.17 at a rate of duty of 60 per cent *ad valorem* or R 25/kg.

The current duty structure is the result of the recommendation of Report No 3142: *Revision of the Duty Structure in Respect of Worn Clothing* dated 23 April 1992.

The Board on Tariffs and Trade recommended in *Report No 4050: Investigation Into Rebate Item 405.04/00.00/06.00: Worn Clothing* dated 17 April 2000, that rebate item 405.04/00.00/06.00 be amended to exclude all clothing. This decision was taken in view of the following:

- It became extremely difficult for Government to administer all rebate provisions relating to imported worn clothing. It became a difficult task to ensure that the conditions of the rebate provision are complied with and the issuing of such a permit would not have a detrimental effect on the local industry.
- According to the industry, the abuse of the rebate facility resulting in the sale of used clothing on the local market contributed to the loss of job opportunities within the clothing sector.
- The authorities were unable to prosecute in cases where the rebate provision was misused, due to social considerations and lack of proof.
- The preliminary strategy on worn clothing within the SACU and SADC regions does not view the importation of worn clothing favourably due to the fact that there are no direct long-term benefits for the local economy, only short-term socio-economic benefits.

The application was published in the Government Gazette on 16 May 2003. Interested parties were invited to submit detailed comments and information in support of their views.

Two religious organizations supported the application while organised Labour, in particular the South African Textile Workers Union (SATCWU) and the Textile Federation gave detailed reasons why the creation of such a rebate provision should not be supported. These reasons are summarized as follows:

1. It would result in significant volumes of used clothing entering the SACU market and subsequent job losses;
2. There was widespread abuse of the rebate provision in the past;
3. The authorities, responsible for ensuring that the rebate provision be properly policed, would be given an impossible task due to limited human and financial resources; and
4. It will only provide short-term poverty relief.

The Textile Federation supported the view that donated clothing only be allowed for disaster relief.

One of the largest clothing and textile manufacturers, employing 16 500 people, also objected to the creation of such a rebate facility.

The clothing industry is one of the major employers of workers within the industrial sector. According to the industry and organized Labour sources, abuse of the rebate facilities, resulting in the sale of used clothing on the local market has resulted in the loss of job opportunities. According to the industry, the importation of worn clothing is therefore clearly detrimental to the industry that is a major provider of employment to the less affluent sections of the population.

Consideration

The following rebate provisions are currently available for the importation of worn clothing:

- The provision under item 311.02/63.09/01.04, which provides for rebate of the full duty on worn clothing or other worn articles of textile material for the recovery of fibers; and
- The provision under item 318.11/63.09/01.04, which provides for rebate of the full duty on worn clothing or other worn articles of textile material for the manufacture of wiping rags and cleaning cloths.
- The provision under item 412.11/00.00/01.00, which provides for rebate of the full duty on goods imported for:
 - a) The relief of distress of persons in cases of famine or other national disaster.
 - b) Under any technical assistance agreement.
 - c) In terms of an obligation under any multilateral international agreement to which the Republic is a party.

The Commission took into consideration that it would be extremely difficult for the authorities to administer the rebate provision related to donated clothing. The Commission also considered the possible detrimental effect on the domestic textile and clothing manufacturing industry.

A number of court cases were conducted against users of rebate item 311.18/63.09/01.04 and some permits issued to companies using this rebate facility have already been withdrawn or permanently suspended.

The Commission is of the view that the creation of any additional rebate facility to allow the importation of worn clothing will worsen the administration problem and will lead to further abuse of these rebate provisions.

Recommendation

The Commission decided that the application for the creation of a duty free provision for used clothing be rejected.