

Report No. 153

Application for a reduction in the rate of duty on promensil and rimostil

The International Trade Administration Commission of South Africa (ITAC) herewith presents its Report No. 153: APPLICATION FOR A REDUCTION IN THE RATE OF CUSTOMS DUTY ON PROMENSIL AND RIMOSTIL


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CHIEF COMMISSIONER

PRETORIA

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REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION

REPORT NO. 153

APPLICATION FOR A REDUCTION IN THE RATE OF CUSTOMS DUTY
ON PROMENSIL AND RIMOSTIL

Synopsis

The Commission considered an application for a reduction in the rate of customs duty on Promensil and Rimostil. The reasons for the application were that the SACU manufactured product is of an inferior quality and that the customs duty has a cost-raising effect on the end users of the products concerned. A local manufacturer of Menoclove, a product that targets the same market, namely treatment for menopausal women with hot flushes and night sweats, objected to the application stating that a reduction in the rate of duty would have a negative effect on their manufacturing enterprise with subsequent job losses. The SACU manufacturer is liable for payment of the same customs duty on the raw materials that are used in the manufacture of Menoclove, than that which is payable by the importer of Promensil and Rimostil.

The Commission found that as a substitute of acceptable quality is manufactured in the SACU, it could find no justification for a reduction in the rate of duty.

Introduction

KCP Products (Pty) Limited, hereafter referred to as the applicant, applied for a reduction in the rate of customs duty on Promensil and Rimostil classifiable under tariff subheading 2106.90.90. The application was for a reduction in the customs duty of 20% in the general column and 17.6% in the EU column to free of duty.

Promensil and Rimostil are complementary, non-prescriptive medicines used in the treatment of hot flushes and night sweats due to menopause. The products are classifiable as food preparations.

As motivating factors for the application, the applicant argued:

Availability of the products in the SACU

- The existing customs duty on the products concerned makes it uneconomical for the applicant to import Promensil and Rimostil;

Quality of locally manufactured product is inferior

- The SA equivalent of Promensil and Rimostil, namely Menoclove, is inferior in quality. This allegation was based

on the fact that no clinical trials have been conducted on Menoclove to establish its effectiveness.

Tariff structure

The applicable tariff structure for the products concerned is set out in Table 1 below:

Table 1: Tariff position for Promensil and Rimostil

Tariff heading	Tariff subheading	Description	Statistical unit	Rate of duty		
				General	EU	SADC
21.06		Food preparations not elsewhere specified or included				
	2106.90.90	Other	kg	20%	17.5%	Free

The MFN bound rate pertaining to products classifiable under tariff subheading 2106.90.90 is 37%.

The phase down schedule, in terms of the SA/EU trade agreement is shown in Table 2 below:

Table 2: SA/EU free trade agreement - phase down schedule

Year	Rate of duty
2006	15
2007	12.6
2008	10
2009	7.6
2010	5
2011	2.6
2012	0

The product is a complete consumer article, therefore no further processing of the product is necessary.

It was established that the products imported by the applicant and the one manufactured by the SACU manufacturer targets the same market but have different ingredients except "red clover" which is present in both products but differs in grammages in the tablet.

Comments

The application was published in the Government Gazette of 26 August 2005.

Opposition was expressed by a SACU manufacturer who manufactures similar products. In their objection they cited job losses that will be caused by the removal of the duty. They further submitted that:

- A reduction would have a detrimental effect on their manufacturing enterprise;
- There are similar SACU manufactured products on the market that are very effective; and
- They submitted that they purchase all their packaging from SACU manufacturers whereas the importer does not support any local manufacturer of packaging materials.

- They import raw materials classifiable under the same tariff subheading as the end product being the subject of the application, thereby also paying a 20 per cent import duty.

Findings

The Commission found that, as a suitable substitute product of acceptable quality is manufactured in the SACU, it could find no justification for a reduction in the duty.

Recommendation

The Commission recommends that the application for a reduction in the rate of duty on Promensil and Rimostil be rejected.