

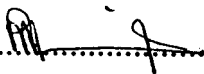


International Trade Administration Commission of South Africa

Report No. 37

Rebate of the customs duty on palm stearin for dehydrating and blending with paraffin wax in the manufacture of paraffin wax

**The International Trade Administration Commission (ITAC) of South Africa
herewith presents Report No. 37: REBATE OF THE CUSTOMS DUTY ON
PALM STEARIN FOR DEHYDRATING AND BLENDING WITH PARAFFIN
WAX IN THE MANUFACTURE OF PARAFFIN WAX**


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**CHIEF COMMISSIONER:
INTERNATIONAL TRADE ADMINISTRATION
COMMISSION OF SOUTH AFRICA**

PRETORIA

...14.../...../ 2003

REPUBLIC OF SOUTH AFRICA
INTERNATIONAL TRADE ADMINISTRATION COMMISSION
OF SOUTH AFRICA
REPORT NO. 37

**REBATE OF THE CUSTOMS DUTY ON PALM STEARIN
DEHYDRATING AND BLENDING WITH PARAFFIN WAX IN
MANUFACTURE OF PARAFFIN WAX**

SYNOPSIS

The Commission considered an application for rebate of the customs duty on palm stearin, classifiable under tariff subheading 1511.90, for dehydrating and blending with paraffin wax in the manufacture of paraffin wax, wherein the palm stearin content is 20 per cent or more by mass. The rate of duty on palm stearin is 10 per cent ad valorem.

As reason for the application, the applicant stated that palm stearin is not produced in SACU and that the rebate of customs duty would increase the affordability of the end products manufactured from palm stearin.

Palm stearin is derived from the fruit of the palm tree and is used in the manufacture of waxes, which are further used in the manufacture of various products such as polish, PVC, hot melts and candles.

The duty on palm stearin is part of the customs tariff dispensation in respect of vegetable oilseeds, oils and oil cakes, which was implemented to promote optimal development of the vegetable oils and oilseeds industry in SACU.

The application was published in the Government gazette and no comments and/or objections were received.

The Commission concluded that for purposes of manufacturing paraffin wax, vegetable oils produced in the SACU are not substitutes for palm stearin, which is not produced in the SACU. The Commission also concluded that the duty on palm stearin constituted a significant portion of the production costs of paraffin waxes, which negatively impacts on the affordability of products such as candles used to a meaningful extent by those consumers at the lower income market sector in the SACU.

In light of the above, the Commission concluded that a rebate of the customs duty on palm stearin for dehydrating and blending with paraffin wax in the manufacture of paraffin wax, wherein the palm stearin content of the blend is 20 per cent or more by mass, is justifiable.

INTRODUCTION

The International Trade Administration Commission (the Commission) was established on 1 June 2003 in terms of the International Trade Administration Act 2002 (Act 71 of 2002) (the ITA Act), which replaced the Board on Tariffs and Trade Act 1986 (Act 107 of 1986) (the Board Act). As regards tariff investigation matters, the Commission superseded the Board on Tariffs and Trade (the Board) in all respects.

2. For the sake of simplicity, all the references in this report are to the Commission. All references in this report referring to the Commission, and which relates to the period prior to 1 June 2003, should be understood to be a reference to the Board, and all the references to the ITA Act, which relates to the period prior to 1 June 2003, should be understood to be a reference to the Board Act.

THE APPLICATION AND TARIFF POSITION

- 3 The Commission considered a rebate of customs duty on palm stearin, classifiable under tariff subheading 1511.90, for dehydrating and blending with paraffin wax in the manufacture of paraffin wax, wherein the palm stearin content of the blend

is 20 per cent or more by mass. The rate of duty on palm stearin is 10 per cent ad valorem. Paraffin wax is classifiable under tariff subheading 2712.90.10 and is free of duty.

4. Palm stearin is derived from the fruit of the palm tree and is used in the manufacture of waxes, which are further used in the manufacture of various industrial products such as polish, PVC, hot melts and candles. The bulk of the manufactured wax is used in the manufacture of candles.
5. A notice of the investigation was published for comments in the Government gazette as follows

Rebate of customs duty on:

“Palm stearin, classifiable under tariff subheading 1511.90, for dehydrating and blending with paraffin wax in the manufacture of paraffin wax, wherein the palm stearin content of the blend is 20 per cent or more by mass.”

6. The provision under item 15. reads as follows:

Table 1: Tariff Position

Tariff Heading	Tariff Sub Heading	Article Description	Rates of Duty		
			General	EU	SADC
15.11		Palm Oil and its Fractions, Whether or Not Refined, But Not Chemically Modified:			
	1511.10	= Crude oil	10%	7,5c/kg	8%
	1511.90	= Other	10%	10%	8%

7. The duty on palm stearin is part the customs tariff dispensation in respect of vegetable oilseeds, oils and oil cakes, which was implemented with a view to promote the optimal development of the vegetable oilseeds, oils and oil cakes industry in SACU. Although palm stearin is not produced in SACU, it is for

certain purposes a substitute for vegetable oils produced in SACU. The Commission's recommendations in this regard, as contained in Report No. 4022, were implemented on 3 November 2000.

8. Schedule No. 3 to the Customs and Excise Act contains the following rebate provisions in respect of palm stearin:

- ❖ 303.01/1511.90/01.06(62): Palm stearin, not chemically modified, for the manufacture of edible fats.
- ❖ 306.06/1511.90/01.00(62): Palm stearin, for the manufacture of soap.
- ❖ 306.10/1511.90/01.06(60): Palm stearin, not chemically modified, for the manufacture of stearin acid of subheading No. 3823.11.

9. The SACU commitment to the WTO in terms of the Marrakesh Agreement regarding palm stearin, classifiable under tariff heading 1511.90, is reflected in Table 2.

Table 2: SACU's WTO Obligation on palm stearin

Tariff Heading	Tariff Sub Heading	Article Description	Current Rate of Duty	Base rate	Bound rate
15.11		Palm Oil and its Fractions, Whether or Not Refined, But Not Chemically Modified:			
	1511.10	-Crude oil.....	10%	163	82
	1511.90	-Other	10%	163	82

10. The SACU candle market consumes approximately 100 000 tonnes of candle wax per annum. The SACU wax manufacturers meet only sixty percent of the SACU's total demand and the shortfall is covered by imports from China and Japan. Palm trees are indigenous to areas with high relative humidity and not grown in the SACU. Palm stearin is therefore not available or produced in the SACU.

According to the cost and price information submitted to the Commission, the duty constitutes a significant percentage of the ex-factory selling price of the manufactured product.

12. No comments and/or objections to the published application were received.

CONSIDERATION

13. The duty on palm stearin is part of the customs tariff dispensation in respect of vegetable oilseeds, oils and oil cakes, which is aimed at the optimal development of the vegetable oilseeds, oils and oil cakes industry in SACU.

14. The Commission concluded that for purposes of manufacturing paraffin wax, vegetable oils produced in the SACU are not substitutes for palm stearin, which is not produced in the SACU. The Commission also concluded that the duty on palm stearin constituted a significant portion of the production costs of paraffin waxes, which negatively impacts on the affordability of products such as candles used to a meaningful extent by those consumers at the lower income market sector in the SACU.

15. In light of the above, the Commission concluded that a rebate of the customs duty on palm stearin for dehydrating and blending with paraffin wax in the manufacture of paraffin wax, wherein the palm stearin content of the blend is 20 per cent or more by mass, is justifiable.

RECOMMENDATION

16. That Schedule No. 3 to the Customs and Excise Act, 1964, be amended by creating a rebate of the customs duty on palm stearin, classifiable under tariff heading 1511.90, for dehydrating and blending with paraffin wax in the manufacture of paraffin wax, wherein the palm stearin content of the blend is 20 per cent or more by mass.