

REPORT NO: 430

**REDUCTION IN THE RATE OF CUSTOMS DUTY ON
POLYETHER-POLYOLS**

The International Trade Administration Commission of South Africa herewith presents its Report No.430: **Reduction in the rate of customs duty on polyether-polyols**



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Siyabulela Tsengiwe
CHIEF COMMISSIONER

PRETORIA

10.05.2013

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 430

REDUCTION IN THE RATE OF CUSTOMS DUTY ON POLYETHER-POLYOLS

Synopsis

Atlas Consolidated Industries (Pty) Ltd t/a Industrial Urethanes, applied for a reduction in the rate of customs duty on polyether-polyols classifiable under the tariff subheading 3907.15.20, from 10% ad valorem to free of duty.

The Commission found that polyether-polyols are no longer manufactured domestically and that the existing customs duty has an unnecessary cost-raising impact on downstream producers.

In view of the above, the Commission recommends that the rate of duty on polyether-polyols, classifiable under tariff subheading 3907.20.15, be reduced from 10 per cent ad valorem to free of duty. The Commission further recommends the withdrawal of all existing rebate provisions for polyether-polyols classifiable under tariff subheading 3907.20.15, as the rebate provisions have become superfluous.

THE APPLICATION AND TARIFF POSITION

Atlas Consolidated Industries (Pty) Ltd t/a Industrial Urethanes, applied for a reduction in the rate of duty on polyether-polyols classifiable under the tariff subheading 3907.15.20, from 10% ad valorem to free of duty.

As reasons for the application the applicant stated that the product in question is no longer manufactured in the SACU and that the customs duty has unnecessary cost-raising implications.

The application was published in the Government Gazette of 26 October 2012 for comments by interested parties as follows:

Reduction in the duty on:

“Polyether polyols classifiable under tariff subheading 3907.20.15 from 10% ad valorem to free of duty.”

Polyether-polyols are used to manufacture various forms of polyurethane foams. Flexible polyurethane foams with solvent resistance and foams with flame lamination properties used to make laminates in the apparel industry are key application areas of polyester-based foams.

Polyurethane foams are also used in various other applications such as insulation in the construction industry and insulation in white goods, such as fridges.

The existing tariff structure for polyether polyols is as follows:

Table 1: The tariff structure for polyether polyols

Tariff heading	Tariff sub-heading	Description	Statistical Unit	Rate of duty			
				General	EU	EFTA	SADC
39.07		Polyacetals, other polyethers and epoxide resins, in primary forms; polycarbonates, alkyd resins, polyallyl esters and other polyesters, in primary forms:					
	3907.20	Other polyethers:					
	3907.20.15	Polyether-polyols, containing 2 or more hydroxyl groups, liquids or pastes, with a hydroxyl number exceeding 100 mg KOH/g but not exceeding 800 mg KOH/g	Kg	10%	free	3.8%	Free

INDUSTRY AND MARKET

Industrial Urethanes is a manufacturer of chemical products and imports different grades of polyols which are used in the manufacture of flexible polyurethane foams and polyurethanes elastomers.

Prior to 2011, Industrial Urethanes was the only SACU manufacturer of polyether polyols used in the manufacture of polyurethanes. In June 2011, Industrial Urethanes discontinued production of polyether-polyols on the basis that it was no longer economically viable to manufacture polyether-polyols in the SACU.

According to the information at the Commission's disposal, there are no manufacturers of polyether polyols in the SACU.

The following table shows the imports of polyether-polyols:

Table 2: SACU imports of polyether-polyols

	2010	2011	2012
Volumes	5 072 921 kg	6 696 299 kg	7 084 759 kg
Values	R 83 917 667	R112 715 561	R136 045 948

The increase in imports from 2010 to 2011 can be attributed to the discontinuation by Industrial Urethanes of the manufacture of polyether-polyols.

COMMENTS ON THE APPLICATION

The application attracted no comments or objections.

FINDINGS

The Commission found that polyether-polyols are no longer manufactured domestically and that the existing customs duty has an unnecessary cost-raising impact on downstream producers.

RECOMMENDATION

In view of the above, the Commission recommends that the rate of duty on polyether-polyols, classifiable under tariff subheading 3907.20.15, be reduced from 10 per cent ad valorem to free of duty. The Commission further recommends the withdrawal of all existing rebate provisions for polyether-polyols classifiable under tariff subheading 3907.20.15, as the rebate provisions have become superfluous.

(14/2012)