

REPORT NO. 433

**REDUCTION IN THE GENERAL RATE OF CUSTOMS DUTY ON
CONSTANT VELOCITY (CV) JOINTS**

The International Trade Administration Commission of South Africa herewith presents its Report No 433: **REDUCTION IN THE GENERAL RATE OF CUSTOMS DUTY ON CONSTANT VELOCITY (CV) JOINTS**, with recommendations.



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CHIEF COMMISSIONER

PRETORIA

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REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 433

REDUCTION IN THE GENERAL RATE OF CUSTOMS DUTY ON CONSTANT VELOCITY (CV) JOINTS

Synopsis

The Commission considered an application by Masterparts (Pty) Ltd for a reduction in the general rate of customs duty on constant velocity (CV) joints classifiable under tariff subheading 8708.50.90, from 20% *ad valorem* to free of duty.

The Commission found that CV joints are no longer manufactured domestically and that the duty has an unnecessary cost-raising impact.

The Commission therefore recommended that the general rate of duty on CV joints be reduced from 20% *ad valorem* to free of duty, through the creation of an additional 8-digit subheading.

INTRODUCTION

1. Masterparts (Pty) Ltd applied for a reduction in the general rate of customs duty on constant velocity (CV) joints from 20% *ad valorem* to free of duty.
2. As reason for the application, the applicant stated that the duty has an unnecessary cost-raising effect as there are no longer local manufacturers of CV joints within the Southern Africa Customs Union (SACU).
3. The application for a reduction in duty on CV joints was published in the Government Gazette on 22 March 2013 for comments by interested as follows:

Application for a reduction in the rate of duty on:

“Constant Velocity joints (CV joints), classifiable in tariff subheading 8708.50.90, from 20% ad valorem to free of duty by the creation of an

additional 8-digit subheading for 'Constant Velocity joints (CV joints)' under tariff subheading 8708.50."

4. The existing tariff position of CV joints is as follows:

Table 1: current tariff position for CV joints

Tariff Heading	Tariff Subheading	Description	Statistical Unit	Rate of duty			
				General	EU	EFTA	SADC
8708.50		Drive-axles with differential, whether or not provided with other transmission components, and non-driving; parts thereof:	kg				
	8708.50.90	Other	kg	20%	15%	20%	Free

INDUSTRY AND THE MARKET

5. CV joints allow a drive shaft to transmit power through a variable angle, at constant rotational speed, without an appreciable increase in friction or play. They are mainly used in front wheel drive, all-wheel drive and rear wheel drive cars with independent rear suspension.
6. CV joints are protected by a rubber boot, a CV gaiter. Cracks and splits in the boot will allow contaminants in, which would cause the joint to wear quickly.
7. Between 2007 and 2009, local manufacturers i.e. Univel Transmissions (Pty) Ltd and Guestro (Pty) Ltd closed down their manufacturing operations. Both these companies were supplying Original Equipment Manufacturers (OEMs).

COMMENTS RECEIVED

8. The application for a reduction in duty on CV joints was supported by the National Association of Automotive Component and Allied Manufacturers

(NAACAM), a number of importers, and the Ministry of Trade and Industry of Botswana. The application attracted no objections.

FINDINGS

9. The Commission found that CV joints are no longer manufactured within the SACU and that the existing duty has an unnecessary cost-raising impact.

RECOMMENDATION

10. In light of the foregoing, the Commission recommends that the general rate of customs duty on constant velocity (CV) joints, classifiable under tariff subheading 8708.50.90, be reduced from 20% *ad valorem* to free of duty through the creation of an additional 8-digit subheading.