

REPORT NO. 382

CREATION OF A REBATE PROVISION FOR CERTAIN MONITORS

The International Trade Administration Commission of South Africa herewith presents its Report No **382: Creation of a rebate provision for certain monitors**, with recommendations



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PRETORIA

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REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

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Synopsis

ITAC launched an investigation of the possible creation of a rebate provision, similar to television rebate structure, for computer monitors classifiable under tariff subheading 8528.51.90 and 8528.59.90. These are monitors with a screen with any side exceeding 45cm and connectable to a video source.

The Commission found that the assembly of monitors with any screen side exceeding 45cm offers significant further production potential for the television set manufacturing industry resulting in increased employment and investment opportunities.

To encourage the domestic manufacture of these computer screens, the Commission made the tariff recommendations as outlined in paragraph 20 of this report.

Introduction

1. In its Report No. 292 (implemented in November 2009) the Commission recommended a revised duty structure to support and encourage the domestic manufacture of television sets. The implemented customs tariff and rebate provision has led to new investment and employment within the television set manufacturing industry.
2. Further, in its Report No.363 (implemented in April 2011) the Commission recommended that rebate item 460.16/85.28/02.04 be withdrawn. This rebate item unintentionally allowed for the duty-free importation of television monitors with a detrimental effect on the television manufacturing industry.
3. Recently, four TV set assemblers namely, Vektronix (Pty) Ltd, Anyview Technology (Pty) Ltd, Samsung Electronics (Pty) Ltd, and RC &C Manufacturing (Pty) Ltd indicated their intention to assemble certain monitors with a screen with any side exceeding 45cm and connectable to a video source. In this regard, ITAC launched an investigation of the possible creation of a rebate provision to encourage the domestic manufacture of these monitors.

The tariff structure and proposed amendments

4. The existing tariff position for monitors, is as follows;

Table1: Tariff structure of monitors

Tariff Subheading	Description	Rates of duty			
		General	EU	EFTA	SAD C
85.28	Monitors and projectors, not incorporating television reception apparatus; reception apparatus for television, whether or not incorporating radio-broadcast receivers or sound or video recording or reproducing apparatus:				
8528.5	Other Monitors:				
8528.51	Of a kind solely or principally used in an automatic data processing system of heading 84.71				
8528.51.10	Colour, with a screen with no side exceeding 45 cm	Free	Free	Free	Free
8528.51.20	Colour, with a screen size exceeding 3 m x 4 m	Free	Free	Free	Free
8528.51.90	- - - Other	25%	3,25%	13%	Free
8528.59	- - - Other				
8528.59.05	Colour, with a screen with no side exceeding 45 cm	Free	Free	Free	Free
8528.59.15	Colour, with a screen size exceeding 3 m x 4 m	Free	Free	Free	Free
8528.59.90	- - - Other	25%	3,25%	13%	Free

5. The subject monitors are classified under tariff subheading 8528.51.90 and 8528.59.90. The subject monitors attract a general rate of customs duty of 25% *ad valorem*.
6. A rebate provision similar to the rebate programme for the television industry was proposed to encourage the manufacture of the computer monitors in question.
7. To eliminate loopholes an existing rebate provision had to be assessed. It was found that it would no longer be necessary to retain rebate item 316.23/8529.90. This rebate provides 'for liquid crystal display (LCD) panels classifiable in tariff subheading 8529.90.80, for the assembly of video monitors incorporating an automatic data processing machine, classifiable in tariff subheading 8528.51'.

8. Another possible loophole was identified regarding tariff subheadings 8529.90.80 and 8590.90.90. As shown in table 2, tariff subheading 8529.90.80 provides for 'other parts for reception apparatus for television'. This tariff subheading currently includes display panels for television. Tariff subheading 8590.90.90 provides for 'other parts'. To eliminate a loophole where display panels can be cleared under 'other parts', a proposal was made to create a new tariff subheading specifically for display panels.

Table 2: Tariff Structure for other parts of monitors

Tariff Subheading	Article description	Rates of Duty			
		General	EU	EFTA	SADC
85.29	Parts suitable for use solely or principally with the apparatus of headings 85.25 to 85.28:				
8529.90	Other:				
8529.90.20	Cabinets for reception apparatus for television	Free	Free	Free	Free
8529.90.50	Filters or separators, for the aerials for reception apparatus for television	Free	Free	Free	Free
8529.90.60	Tuners (very high frequency or ultra-high frequency) and tuner control devices, for reception apparatus for television	Free	Free	Free	Free
8529.90.70	Parts of moulded plastics or base metal, not incorporating electronic components, for reception apparatus for television	Free	Free	Free	Free
8529.90.80	Other parts of reception apparatus for television	20%	2.6%	10%	Free
Proposed additional tariff subheading	Display panels	20%	2.6%	10%	Free
8529.90.90	Other	free	Free	Free	Free

9. The proposed rebate provisions and amendments were published on 23 September 2011 for comments by interested parties as follows:

A. Creation of Rebate Provisions under Schedule 3 for:

Parts for computer monitors

“Goods of any description (excluding mounted or populated circuit boards and display panels, irrespective of their degree of completion and any apparatus classifiable in heading 85.28), at such times, in such quantities and under such conditions as the International Trade Administration Commission may allow by specific permit, for the manufacture of monitors not incorporating television reception apparatus, classifiable in tariff subheadings 8528.51.90 and 8528.59.90”.

Completely knocked down (CKD)

“Display panels (excluding any apparatus classifiable in heading 85.28) not equipped or presented with mounted or populated circuit boards designed for purposes other than pixel control, and inverters, whether or not incorporating a back lighting unit but not equipped or presented with any other components, at such times, in such quantities and under such conditions as the International Trade Administration Commission may allow by specific permit, for the manufacture of monitors not incorporating television reception apparatus classifiable in tariff subheading 8528.51.90 and 8528.59.90, provided that the Commission is satisfied that the manufacturing process for monitors not incorporating television reception apparatus includes the mounting and populating of unpopulated (blank) circuit boards (Rebate of full duty)”.

Semi-knocked down (SKD)

“Display panels (excluding any apparatus classifiable in heading 85.28), not equipped or presented with mounted or populated circuit boards designed for purposes other than pixel control, and inverters, whether or not incorporating a back lighting unit but not equipped or presented with any other components, at such times, in such quantities and under such conditions as the International Trade Administration Commission may allow by specific permit, for the manufacturing of monitors not incorporating television reception apparatus, classifiable in tariff subheading 8528.51.90 and 8528.59.90 (Rebate of full duty less 12,2%)”.

B. Deletion of rebate item 316.23/8529.90/01.06 for:

“Liquid crystal display (LCD) panels classifiable in tariff subheading 8529.90.80, for the assembly of video monitors incorporating an automatic data processing machine, classifiable in tariff subheading 8528.51”.

C. Creation of a new tariff subheading under Schedule 1 for:

“Display panels classifiable in tariff subheading 8529.90.80 by the creation of a new 8-digit subheading in 8529.90, the duty will remain GN 20%, EU 2,6%, EFTA 10% and SADC free”.

The industry and market

10. The major firms active in the SACU display monitor industry are: PVision, Samsung Electronics (Pty) Ltd, LG Electronics SA (Pty) Ltd, Toshiba South Africa, Sharp Electronics SA, NEC, Panasonic South Africa, Mustek Limited (computer monitors only), Acer (computer monitors only) and BenQ Corporation South Africa (computer monitors only).
11. According to available information there are currently nine television set assemblers in the SACU, namely RC&C Manufacturing (Pty) Ltd, SVA, Hi-Sense, Bestmade Electronics (Sinotec Manufacturing company limited), Vektronix (Pty) Ltd, Tellumat (Pty) Ltd, Anyview Technology (Pty) Ltd, Sony Home & Consumer Electronics SA and now LG Electronics (Pty) Ltd. These television assemblers have the potential to assemble the computer monitors in question as the manufacturing equipment and process for these monitors is similar to that for television monitors. Other prospective assemblers have expressed their interest to assemble monitors domestically.

Comments received

12. No objections were received to the proposals. Comments supporting the proposed amendments and the creation of a rebate provision for the relevant monitors were received from RC & C Manufacturing (Pty) Ltd, Vektronix (Pty) Ltd, Anyview Technology (Pty) Ltd, Samsung Electronics (Pty) Ltd, LG Electronics SA (Pty)Ltd, and Tellumat (Pty) Ltd.

Findings

13. The Commission found that the assembly of monitors with any screen side exceeding 45cm offers significant further production potential for the television set manufacturing industry resulting in increased employment and investment opportunities.
14. It was found that a rebate programme similar to the television industry can be used as the model for the assembly of computer monitors. The relative value added by the assemblers has been taken into account in arriving at the extent of the rebate. For CKD assembly, a rebate of the full duty is recommended. For SKD assembly, a partial rebate of the full duty less 12.2% is recommended.
15. The differentiated rebate provision should put the SKD and CKD assemblers on the same competitive footing by affording both models of assembly the same rate of effective protection.

16. The rebate provision will be supported by a permit system underpinned by clear guidelines developed by ITAC, similar to those applicable to the television programme.

Recommendation

17. In light of the foregoing, the Commission recommended the following tariff amendments:

A. Creation of Rebate Provisions under Schedule 3 for:

Parts for computer monitors

“Goods of any description (excluding mounted or populated circuit boards and display panels, irrespective of their degree of completion and any apparatus classifiable in heading 85.28), at such times, in such quantities and under such conditions as the International Trade Administration Commission may allow by specific permit, for the manufacture of monitors not incorporating television reception apparatus, classifiable in tariff subheadings 8528.51.90 and 8528.59.90”.

Completely knocked down (CKD)

“Display panels (excluding any apparatus classifiable in heading 85.28) not equipped or presented with mounted or populated circuit boards designed for purposes other than pixel control, and inverters, whether or not incorporating a back lighting unit but not equipped or presented with any other components, at such times, in such quantities and under such conditions as the International Trade Administration Commission may allow by specific permit, for the manufacture of monitors not incorporating television reception apparatus classifiable in tariff subheading 8528.51.90 and 8528.59.90, provided that the Commission is satisfied that the manufacturing process for monitors not incorporating television reception apparatus includes the mounting and populating of unpopulated (blank) circuit boards (Rebate of full duty)”.

Semi-knocked down (SKD)

“Display panels (excluding any apparatus classifiable in heading 85.28), not equipped or presented with mounted or populated circuit boards designed for purposes other than pixel control, and inverters, whether or not incorporating a back lighting unit but not equipped or presented with any other components, at such times, in such quantities and under such conditions as the International Trade Administration Commission may allow by specific permit, for the manufacturing of monitors not incorporating television reception apparatus, classifiable in tariff subheading 8528.51.90 and 8528.59.90 (Rebate of full duty less 12,2%)”.

B. Deletion of rebate item 316.23/8529.90/01.06 for:

“Liquid crystal display (LCD) panels classifiable in tariff subheading 8529.90.80, for the assembly of video monitors incorporating an automatic data processing machine, classifiable in tariff subheading 8528.51”.

C. Creation of a new tariff subheading under Schedule 1 for:

“Display panels classifiable in tariff subheading 8529.90.80 by the creation of a new 8-digit subheading in 8529.90, the duty will remain GN 20%, EU 2,6%, EFTA 10% and SADC free”.