



International Trade Administration Commission of South Africa

The DTI Campus (Block E)  
77 Meintjies Street  
Sunnyside, Pretoria 0002  
Private Bag X753  
Pretoria 0001, South Africa  
Tel: +27 12 394 0520  
<http://www.itac.org.za>

## REPORT NO.323

# REBATE OF THE DUTY ON POLYETHYLENE GLYCOL USED IN THE MANUFACTURE OF PAINTBALLS

The International Trade Administration Commission herewith presents its Report  
No. 323: **REBATE OF THE DUTY ON POLYETHYLENE GLYCOL USED IN THE  
MANUFACTURE OF PAINTBALLS**, with recommendations.



**SIYABULELA TSENGIWE**

**CHIEF COMMISSIONER**

**PRETORIA**

10 - 03 - 2010

**REPUBLIC OF SOUTH AFRICA**  
**INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH**  
**AFRICA**

**REPORT NO. 323**

**REBATE OF THE CUSTOMS DUTY ON POLYETHYLENE GLYCOL**  
**USED IN THE MANUFACTURE OF PAINTBALLS**

**Synopsis**

Bulls' Eye Paintballs CC applied for the creation of a rebate provision for polyethylene glycol classifiable under tariff subheading 3907.20.15 at 10% *ad valorem* which is used in the manufacture of paintballs.

The Commission found that polyethylene glycol is not manufactured domestically and recommended the creation of a rebate of the full duty provision for polyethylene glycol used in the manufacture of paintballs.

**THE APPLICATION AND THE TARIFF POSITION**

1. Bulls' Eye Paintballs CC applied for the creation of a rebate provision for polyethylene glycol which is used in the manufacture of paintballs.
2. As reason for the application, the applicant stated that polyethylene glycol is not manufactured in the SACU region. The applicant stated that it needs to keep its production cost as low as possible if it were to be able to compete with imported paintballs originating mainly from East Asia.
3. Both the fill (of which the polyethylene glycol is a component) and the shell of paintballs are manufactured in-house at the applicant's plant. High-end pharmaceutical equipment is used. Both gel and fill mixtures are fed into a soft gel encapsulating machine which forms and fills the balls. The balls then pass through tumble dryers and are cured in a humidity controlled environment.

4. Polyethylene glycol is classifiable under tariff subheading 3907.20.15 as follows:

Tariff heading	Description	Rate of Duty			
		General	EU	EFTA	SADC
39.07	<b>Polyacetals, other poly-ethers and epoxide resins, in primary forms; polycarbonates, alkyd resins, polyallyl esters and other polyesters, in primary forms:</b>				
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	10%	3,8%	7,5%	Free

5. The duty structure of the end product, paintballs, is as follows:

Tariff heading	Description	Rate of Duty			
		General	EU	EFTA	SADC
93.06	<b>Bombs, grenades, torpedoes, mines, missiles, and similar munitions of war and parts thereof; cartridges and other ammunition and projectiles and parts thereof, including shot and cartridge wads:</b>				
9306.90	Other	15%	5,7%	15%	Free

## COMPETITIVE POSITION

6. The applicant is the only manufacturer of paintballs in the SACU region and has invested R3 million in equipment and employs 15 workers.

7. The applicant experiences strong competition from manufacturers of low-priced paint balls originating in East Asia. It is a new venture for the applicant and it is burdened by relatively high initial expenses. As market share is consolidated over time, the venture will become more lucrative. It is envisaged that unit cost will decline as market share is expanded and that the return on investment will gradually increase.

#### **COMMENTS ON THE APPLICATION**

8. No objections to the application which was published in the Government Gazette on 28 August 2009 were received from interested parties.

#### **FINDINGS**

9. The Commission found that the raw material imported, namely polyethylene glycol, is not manufactured domestically. A rebate of duty as recommended would contribute to improving the competitive position of the applicant in the face of fierce competition from abroad.

#### **RECOMMENDATION**

10. In the light of the foregoing, the Commission recommends that a provision be created for rebate of the full duty as follows:

“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 classifiable under tariff subheading 3907.20.15 used in the manufacture of paintballs classifiable under tariff subheading 9306.90”.