

Report No. 208

Rebate of the customs duty on solid and liquid soda used in the manufacture of laundry and toilet soaps

The International Trade Administration Commission herewith presents its **Report No.208: REBATE OF THE CUSTOMS DUTY ON SOLID AND LIQUID CAUSTIC SODA USED IN THE MANUFACTURE OF LAUNDRY AND TOILET SOAPS**



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REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH
AFRICA

REPORT NO. 208

REBATE OF THE CUSTOMS DUTY ON SOLID AND LIQUID CAUSTIC SODA
USED IN THE MANUFACTURE OF LAUNDRY AND TOILET SOAPS

Synopsis

Unilever SA Home and Personal Care (hereon referred to as the applicant), applied for rebate of the customs duty on solid and liquid caustic soda used in the manufacture of laundry and toilet soaps. Solid caustic soda is classifiable under tariff subheading 2815.11 and liquid caustic soda under tariff subheading 2815.12. The duty on both products is 20 per cent ad valorem, both in the general and the EU column and free in the SADC column.

The reasons advanced for the application were that there was an insufficient supply of the membrane cell (MBC) grade of liquid and solid caustic soda in the SACU and that the current rate of duty has cost-raising implications.

The application was published in the Government Gazette on 04 August 2006 for interested parties to comment. Sasol Polymers, one of the local manufacturers of caustic soda, supported the application provided that the rebate provision is subject to a permit system. Their support is based on fact that there is a shortage of MBC caustic soda.

The Commission found that the MBC grade and Diaphragm Cell (DC) grade of Caustic soda are manufactured in the SACU. However, the MBC grade is not manufactured in sufficient quantities to supply the industry using caustic soda for the manufacture of laundry and toilet soaps. The Commission further found that the applicable rate of customs duty has a cost-raising effect and would adversely affect the applicant's competitive position.

In the light of the foregoing, the Commission recommends that the Customs and Excise Act be amended by creating a rebate facility for solid and liquid caustic soda for the manufacture of laundry and toilet soaps classifiable under tariff subheadings 2815.11 and 2815.12 respectively, in such quantities and at such times as the International Trade Administration Commission of South Africa may allow by specific permit.

The application and the tariff position

The Commission considered an application for rebate of the customs duty on solid and liquid caustic soda classifiable under tariff subheadings 2815.11 and 2815.12 respectively, used in the manufacture of laundry and toilet soaps. The application was published in the Government Gazette on 04 August 2006 for interested parties to comment.

As reason for the application, the applicant stated there was an insufficient supply of the MBC (Membrane cell) grade of liquid caustic soda in the SACU and that the current rate of duty has cost-raising implications.

Industry and market

The total production of caustic soda in the SACU is currently at 250 000 tons while the MBC grade of caustic soda is at 140 000 tons.

The size of the domestic market for caustic soda is estimated at 340 000 tons. Accordingly, the industry using caustic soda as an input material would experience a shortfall of 90 000 tons.

The chemical sector has been identified in AsgiSA (Accelerated Shared Growth Initiative for South Africa) as a priority sector. The reduction of input costs would enable the downstream industry to become internationally competitive. Accordingly, the creation of a rebate of customs duty provision for caustic soda would be in line with AsgiSA in encouraging the competitiveness of the industry using caustic soda in the manufacture of laundry and toilet soaps.

The tariff position for liquid and solid caustic soda being the input product is shown in the table below.

Tariff position for liquid and solid caustic soda

Tariff heading	Tariff subheading	Description	Statistical unit	Rate of duty		
				General	EU	SADC
28.15		Sodium Hydroxide (Caustic soda); Potassium Hydroxide (Caustic Potash); Peroxides of Sodium or Potassium:				
	2815.1	Sodium hydroxide (caustic soda):				
	2815.11	Solid	Kg	20%	20%	free
	2815.12	In aqueous solution (Soda lye or liquid soda)	Kg	20%	20%	free

The tariff position for laundry and toilet soaps being the end product is shown in the table below.

Tariff position of laundry and toilet soaps

Tariff heading	Tariff subheading	Description	Statistical unit	Rate of duty		
				General	EU	SADC
34.01		Soaps; organic surface-active products and preparations for use as soap, in the form of bars, cakes or moulded pieces or shapes, whether or not containing soap; organic surface-active products and preparation for washing the skin, in the form of liquid or cream and put up for retail sale, whether or not containing soap; paper, wadding, felt and nonwovens, impregnated, coated or covered with soap or detergents:				
	3401.1	Soaps and organic surface-active products and preparations, in the form of bars, cakes, moulded pieces or shapes, and paper, wadding, felt and nonwovens, impregnated, coated or covered with soap or detergents				
	3401.11	= For toilet use (including medicated products)	Kg	20 %	15 %	free
	3401.19	=Other	Kg	20 %	15 %	free

Comments on the publication

Sasol Polymers, one of the local manufacturers of caustic soda, supported the application provided that the rebate provision is subject to a permit system. Their support is based on fact that there is a shortage of MBC grade caustic soda.

Findings

The Commission found that Membrane cell grade caustic soda is manufactured in insufficient quantities in the SACU and that the current rate of duty has cost-raising implication for downstream industries.

Recommendation

In view of the above, the Commission recommends that the Customs and Excise Act be amended by creating a rebate facility for solid and liquid caustic soda for the manufacture of laundry and toilet soaps, classifiable under tariff subheadings 2815.11 and 2815.12 respectively, in such quantities and at such times as the International Trade Administration Commission of South Africa may allow by specific permit.