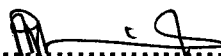


## **Report No. 163**

# **Reduction in the rate of customs duty on trimethoprim**

The International Trade Administration Commission of South Africa herewith presents its **Report No. 163**: REDUCTION IN THE RATE OF CUSTOMS DUTY FROM 10% AD VALOREM TO FREE OF DUTY ON TRIMETHOPRIM CLASSIFIABLE UNDER TARIFF SUBHEADING 2933.59.90.



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**Ms N P MAIMELA**  
**CHIEF COMMISSIONER**

**PRETORIA**

.....09/.....March.....2006

## REPUBLIC OF SOUTH AFRICA

### INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

#### REPORT NO. 163

#### REDUCTION IN THE RATE OF CUSTOMS DUTY ON TRIMETHOPRIM

##### Synopsis

The Commission considered an application for a reduction in the rate of customs duty on Trimethoprim. A decision to publish was taken in order to invite interested parties to comment on whether the product concerned is manufactured in the SACU or not. No objections were received during the publication period but the Chemical and Allied Industries Association, Aspen and the Pharmaceutical Manufacturer's Association of South Africa all forwarded submissions to the Commission confirming that the product is not manufactured in the SACU.

The applicant imports and distributes Trimethoprim to pharmaceutical companies such as Aspen, Alliance, Dermachem and Betabs who then use the product to manufacture medicines.

The Commission found that there were no local manufacturers of the product concerned and that the existing duty serves to inflate the costs of the downstream manufacturers in the pharmaceutical industry. It was concluded that there was no justification for the duty.

The Commission recommends that the rate of customs duty on Trimethoprim classifiable under tariff subheading 2933.59.90 be reduced from 10% ad valorem to free of duty.

##### Introduction

Kirsch Pharma South Africa (Pty) Ltd (the applicant) applied for a reduction in the rate of customs duty, from 10 per cent ad valorem to free of duty, on Trimethoprim classifiable under tariff subheading 2933.59.90. The application was published in the Government Gazette No. 28150 of 28 October 2005.

Trimethoprim is a white, odourless powder with a bitter taste. It is a pharmaceutical active ingredient containing a pyrimide ring in its structure and is used in the pharmaceutical industry as an antibacterial agent, and is often combined with sulfonamide drugs or antibiotics in the manufacture of medicine.

The applicant imports and then supplies Trimethoprim, to pharmaceutical companies (such as Aspen, Alliance, Dermachem and Betabs) and the pharmaceutical companies prepare medicines containing Trimethoprim according to their own formulae. Trimethoprim is used in the manufacture of

medicines such as Cozole, Lagatrim, Purbac, Spectrim and Septram and is indicated in the treatment of urinary tract infections, respiratory and middle ear infections, traveller's diarrhoea, bacillary dysentery typhoid and other specific conditions.

The applicant subsequently applied for a reduction in the rate of Customs duty stating the following reasons:

- Trimethoprim is not manufactured in the SACU.
- The import duty imposed on the product serves no purpose but adds to the cost of the downstream producers of medicine containing Trimethoprim.

### Tariff Position

The applicable tariff structure for Trimethoprim is as set out in Table 1 below:

**Table 1: Tariff position for Trimethoprim**

Tariff heading	Tariff subheading	Description	Statistical unit	Rate of duty		
				General	EU	SADC
29.33		<b>Heterocyclic Compounds With Nitrogen Hetero-atom(s) Only</b>				
	2933.5	Compounds containing a pyrimide ring (whether or not hydrogenated) or piperazine ring in the structure				
	2933.59.90	<b>Other</b>	kg	10 %	free	free

Customs indicated that they would be able to administer a new 8-digit tariff subheading for Trimethoprim under the 6-digit subheading 2933.59.

### Comments on Publication

No objections were received to the publication in the Government Gazette, but the Chemical and Allied Industries Association submitted that the product is not manufactured in South Africa and that therefore they have no objection to the duty being reduced.

Aspen Pharmacare, a client of the applicant, also submitted that Trimethoprim is not manufactured in South Africa and emphasised that the 10% customs duty applicable to the product has an unnecessary cost-raising effect for the downstream manufacturers using the product

The Pharmaceutical Manufacturer's Association of South Africa submitted that none of their members objected to the reduction, also due to the fact that Trimethoprim has been off-patent for many years and is used in a number of branded and generic medicines available on the SA market.

## **Findings**

Industry research and information gathered during the investigation into the manufacture of Trimethoprim in the SACU revealed that the product is not manufactured in the SACU and it is also highly unlikely that this product will be manufactured locally in the future. This is as a result of the relatively small SACU market and the specialised knowledge and equipment required for its production.

The product is manufactured predominantly in India and China. The applicant imports the product from China and then supplies it to Pharmaceutical companies in South Africa as it is not viable for the pharmaceutical companies themselves to each import small quantities of the product for their own use.

The customs duties payable by the applicant have contributed to the higher cost price for Trimethoprim. The higher cost price for Trimethoprim translates into a higher purchasing price for pharmaceutical manufacturers sourcing the product from the applicant and therefore serves to inflate the costs of the down-stream manufacturers in the pharmaceutical industry manufacturing medicines containing Trimethoprim.

## **Recommendation**

In view of the above the Commission recommends that the rate of customs duty on Trimethoprim classifiable under tariff subheading 2933.59.90 be reduced from 10 per cent ad valorem, to free of duty.

[42/2005]