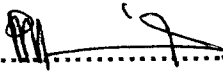


REPORT NO. 164

**REDUCTION IN THE RATE OF DUTY ON
ARTIFICIAL FLOWERS, FOLIAGE AND FRUIT
AND PARTS THEREOF AND ARTICLES MADE
OF ARTIFICIAL FLOWERS, FOLIAGE OR FRUIT,
OF MATERIALS OTHER THAN PLASTICS, FROM
20% AD VALOREM TO FREE OF DUTY**

The International Trade Administration Commission herewith presents its **Report No. 164: Reduction in the rate of duty on artificial flowers, foliage and fruit and parts thereof and articles made of artificial flowers, foliage or fruit, of materials other than plastics, from 20% ad valorem to free of duty.**



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**Ms Nomonde Maimela
CHIEF COMMISSIONER**

PRETORIA

08/03/2006

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH
AFRICA

REPORT NO. 164

REDUCTION IN THE RATE OF DUTY ON ARTIFICIAL FLOWERS,
FOLIAGE AND FRUIT AND PARTS THEREOF AND ARTICLES MADE OF
ARTIFICIAL FLOWERS, FOLIAGE OR FRUIT, OF MATERIALS OTHER
THAN PLASTICS FROM 20% AD VALOREM TO FREE OF DUTY

Synopsis

The Commission considered an application from Silk by Design (Pty) Ltd for a reduction in the rate of duty on certain artificial flowers, classifiable under tariff subheading 6702.90, from 20% ad valorem to free of duty.

As reason for the application, the applicant stated that the product in question is not manufactured in the SACU and that the current rate of duty is not justified. The application was published in the Government Gazette of 30 September 2005 for interested parties to comment.

The applicant stated that artificial flowers are used in an environment where there is the need to enhance an area on a more permanent basis than a natural product would permit.

The applicant sells artificial flowers as complete consumer articles, or are processes them into a complete floral arrangement set in a clear glass vase and secured with a clear resin that imitates water.

The Commission found that artificial flowers are not substitutes for fresh cut flowers. The application was supported by the fresh flower industry and the South African Flower Export Council.

The Commission also found that there are no local manufacturers of artificial flowers and that the existing duty only serves to inflate costs. The Commission found no justification for the existing duty.

The Commission therefore recommends that the rate of duty on artificial flowers, foliage and fruit and parts thereof and articles made of artificial flowers, foliage or fruit, of materials other than plastics be reduced from 20% ad valorem to free of duty.

1. Introduction

- 1.1 The Commission considered an application from Silk by Design (Pty) Ltd for a reduction in the rate of duty on certain artificial flowers, classifiable under tariff subheading 6702.90, from 20% ad valorem to free of duty. The application was published in Government Gazette No. 28053 of 30 September 2005.
- 1.2 The applicant uses artificial flowers in an environment where there is the need to enhance an area on a more permanent basis than a natural product would permit.
- 1.3 The applicant sells artificial flowers as complete consumer articles, or processes them into a complete floral arrangement set in a clear glass vase and secured with a clear resin that imitates water.
- 1.4 As a reason for the application, the applicant stated that the product in question is not manufactured in the SACU.

2. Tariff Position

- 2.1 The current tariff position in respect of artificial flowers is reflected in Table 1 below. The application concerns artificial flowers, foliage and fruit and parts thereof and articles made of artificial flowers, foliage or fruit, of materials other than plastics.

Table 1: Tariff structure of artificial flowers

Heading	Sub-Heading	Description	Rate of Duty		
			General	EU	SADC
67.02		Artificial Flowers, Foliage and Fruit and Parts Thereof; Articles Made of Artificial Flowers, Foliage or Fruit:	20%	17.6%	free
	6702.10	-Of plastics	20%	17,6%	free
	6702.90	-Of other materials	20%	17.6%	free

3. Consideration

- 3.1 Interested parties supported the application on the basis that the product in question is not manufactured in the SACU, and therefore the duty is not justified.
- 3.2 Having considered the price difference between the artificial and fresh flowers, and price elasticity of the product, the Commission found that the products were not substitutable.
- 3.4 The fresh flower industry and the South African Flower Export Council also supported the abolition of the duty on artificial flowers from 20% ad valorem to free.

4. Recommendation

- 4.1 In view of the above the Commission recommends that the rate of duty on artificial flowers, foliage and fruit and parts thereof; and articles made of artificial flowers, foliage or fruit, of materials other than plastics, classifiable under tariff subheading 6702.90, be reduced from 20% ad valorem to free of duty.