



International Trade Administration Commission of South Africa

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## **Report No. 91**

# **Application for a reduction in the rate of duty on citric acid**

The International Trade Administration Commission herewith presents its  
Report No. 91: APPLICATION FOR A REDUCTION IN THE RATE OF DUTY ON  
CITRIC ACID



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CHIEF COMMISSIONER

PRETORIA

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REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH  
AFRICA  
REPORT NO. 91

APPLICATION FOR A REDUCTION IN THE RATE OF DUTY ON CITRIC ACID

**Synopsis**

The South African Federation of Soft Drink Manufacturers (the applicant) applied for a reduction in the rate of duty on citric acid, classifiable under tariff subheading 2918.14, from 15 per cent *ad valorem* to free of duty.

As reason for the application, the applicant stated that citric acid is no longer manufactured in SACU and that there is no justification for the 15 per cent *ad valorem* duty on citric acid. Citric acid was previously manufactured by Isegen Southern Africa (Pty) Ltd (Isegen). However, Isegen discontinued production of citric acid in mid-1997. Isegen further proposed that the Industry using citric acid as an ingredient should instead use malic acid as a substitute product. Citric acid is used as an ingredient in the manufacture of soft drinks, food and pharmaceutical products.

Following the publication in the Government Gazette, seven responses (including Isegen) were received from interested parties. Six companies supported the reduction in the rate of duty on citric acid while Isegen objected to the application. Of the seven companies that responded, one company, which imports malic acid, acknowledged that malic acid and citric acid are substitutes.

The Commission concluded that malic acid and citric acid are suitable substitutes and therefore the reduction of the duty on citric acid would erode the protection and encouragement for the industry manufacturing malic acid.

### Application and tariff position

1. The Commission considered the application for a reduction in the rate of duty on citric acid, classifiable under tariff subheading 2918.14, from 15 per cent *ad valorem* to free of duty.
2. As reason for the application, the applicant stated that citric acid is no longer manufactured in SACU and that the existing rate of duty is not justified. Furthermore the applicant denied suggestions that citric acid can be substituted by malic acid. According to the applicant, both acids produce different tastes and that a change in taste can lead to loss of clients. In view of the above, the applicant stated that malic acid cannot be regarded as a suitable substitute of citric acid.
3. The tariff structure of citric acid and malic acid is as follows:

**Table 2: Existing tariff position of citric acid and malic acid**

Tariff Heading	Description	Rate of Duty		
		General	EU	SADC
2918	Carboxylic acids with additional oxygen function and their anhydrides, halides, peroxides and peroxyacids; their halogenated, sulphonated, nitrated or nitrosated derivatives:			
2918.1	Carboxylic acids with alcohol function but without other oxygen function, their anhydrides, halides, peroxides, peroxyacids and their derivatives:	free	free	free
<b>2918.14</b>	<b>Citric acid</b>	<b>15 %</b>	<b>15%</b>	<b>free</b>
2918.19	=Other			
<b>2918.19.10</b>	<b>Malic acid</b>	<b>10 %</b>	<b>10 %</b>	<b>10 %</b>

4. The rates of duty on citric acid and malic acid are both bound at 15 per cent *ad valorem* in terms of the South Africa's commitments to the WTO.
5. On publication of the application, six companies stated that the reduction in the rate of duty would reduce the raw material cost in numerous food and beverage

products. In response to the publication in the Government Gazette, Isegen stated that the interchangeability of citric and malic acid in the food industry has long been universally accepted and this was also demonstrated by the CSIR in July 1980 at the request of the then Board of Trade and Industry in their report No. VOED 63 titled: *The existing market and future prospects for citric acid in South Africa*. (Author: AJB Waugh; Published by the Techno-economic Division of the National Food Research Institute).

6. The CSIR's report referred to above concluded that malic acid could replace citric acid in many applications including carbonated beverages.
7. The South African Association of Industrial Flavour and Fragrance Manufacturers supported the application on the basis that the abolition of the 15 per cent *ad valorem* duty on citric acid would be to the benefit of the consumer.

#### **Recommendation**

8. The Commission considered the interchangeability of citric acid and malic acid as well as the relevance of the report by the CSIR, which concluded that both products can be substitutes. The Commission therefore, recommended that the application be rejected owing to the fact that a suitable substitute product is manufactured in the SACU and a reduction in the rate of duty on citric acid would therefore erode the protection and encouragement afforded the industry manufacturing malic acid.

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