

**INTERNATIONAL TRADE ADMINISTRATION  
COMMISSION OF SOUTH AFRICA (ITAC)**

**REPORT NO. 14**

**AMENDMENT OF THE CUSTOMS DUTY AND  
REBATE DISPENSATION IN RESPECT OF  
INDUSTRIAL DEVELOPMENT ZONES**

The International Trade Administration Commission herewith presents its  
Report No. 14: **Amendment of the Customs duty and rebate  
dispensation in respect of Industrial Development Zones**, with  
recommendation.

  
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**CHIEF COMMISSIONER**  
**(MS NOMONDE MAIMELA)**

**PRETORIA**

17 / 07 / 2003

REPUBLIC OF SOUTH AFRICA  
INTERNATIONAL TRADE ADMINISTRATION COMMISSION  
REPORT NO. 14

**AMENDMENT OF THE CUSTOMS DUTY AND REBATE  
DISPENSATION IN RESPECT OF INDUSTRIAL  
DEVELOPMENT ZONES**

The Department of Trade and Industry applied for amendment of the customs duty rebate dispensation in respect of Industrial Development Zones (IDZ's).

- 2 The essence of the application was described by the applicant as follows: *"The interpretation of Rebate item 360.01 excludes capital equipment. Having regard to the above, the objective of this submission is to request the creation of a new Rebate provision to cater for goods and capital equipment to be used in the production or manufacturing process and for putting up infrastructure in the CSA."*
- 3 As reason for the application the applicant stated the duties on the products concerned may hamper the development of the IDZ's.
- 4 The existing rebate provision in respect of IDZ's is provided for under item 360.01/00.00/01.00. This rebate provision provides for rebate of the full duty on *"Goods of any description, subject to the limitation referred to in Note 8(c) to this Part, for the processing into or manufacture of other goods in an Industrial Development Zone designated as such by the Minister of Trade and Industry and under such conditions as prescribed by the Minister of Trade and Industry in the Government Gazette, and subject to the provisions of Note 8(a) to this part ....."*
- 5 The notes referred to in the provision under item 360.01/00.00/01.00 read as follows:

“8. For the purpose of rebate item 360.01:

The Industrial Development Zone Company designated as such by the Minister of Trade and Industry in respect of each Industrial Development Zone will be deemed to be the importer and exporter of all goods entering or leaving the Industrial Development Zone and will be liable and responsible for the fulfillment of all obligations under the Customs and Excise Act 1964, in respect of such goods.

Goods admitted under the provisions of this rebate item shall be used for the processing or manufacture of goods for export and the processed or manufactured goods shall be exported within 12 months from the date of entry thereof: Provided that the Commissioner may, in circumstances which he or she deems exceptional, extend the period specified in each case for a further period he or she deems reasonable: Provided further that application for such extension is made prior to the expiry of the period.

The type of goods referred to in rebate item 360.01 may be limited at any time by the Minister of Trade and Industry on the recommendation of the Board on Tariffs and Trade by notice in the Government Gazette in respect of any new manufacturing operation established after the date of such notice and in respect of which such goods will not receive the benefits of rebate item 360.01. This will affect any existing manufacturing operation that receives the benefit of rebate item 360.01 in respect of such goods at the time of the notice.”

6. The existing customs duty and rebate dispensation in respect of IDZ's essentially entails that:
  - (a) Products for “processing into or manufacture of other goods” can enter the IDZ with rebate of the full duty and as a result capital goods are not subject to the rebate.

Products manufactured in the IDZ or which is the result of processing in the IDZ, can enter other parts of the common customs area of SACU in which case

The rebate described under (a) will fall away,  
The products entering will not be subject to the ordinary customs duties of Part 1 of Schedule 1 and duties levied in terms of Schedule 2 and  
The products entering will be subject to duties levied in Part 2 of Schedule 1.

- 7 During the consideration of the application the International Trade Administration Commission took into account a number of factors including the following:

IDZ's are intended to attract investors who are focused on supplying the international market.

The customs duty and rebate dispensation in respect of IDZ's should as such –

- (i) not discourage investment in the IDZ's relative to investment in other parts of the world by firms who focus, or intend to focus, on the international market;
- ii) not, in respect of the SACU market, give manufacturers in the IDZ's an advantage relative to the manufacturers located in SACU outside the IDZ's; and
- (iii) not encourage reallocation of existing manufacturing capacity to the IDZ's from other parts of SACU.

- 8 The ITAC concluded that under the existing dispensation in respect of IDZ's, the creation of a rebate provision for capital goods for use in the IDZ's, as applied for by the applicant, would give the manufacturers in the IDZ's an advantage in the SACU market relative to other manufacturers in SACU and as a result, the ITAC cannot justify such recommendation.

9. The ITAC concluded that the dispensation set out in the following paragraph is justified as it meet the considerations as set out in paragraph 7.
10. The ITAC recommends that the existing customs duty and rebate dispensation in respect of IDZ's be replaced by a dispensation which provides for the following:

Goods of any description that enter the customs secured area of a IDZ should be subject to rebate of the full duty;

goods of any description that enter any other part of the common customs area of the Southern African Customs Union from the customs secured area of a IDZ in the common customs area, should be subject to the duties levied in terms of Schedule No 1 and Schedule No 2 of the Customs and Excise Act; and

goods of any description that enter any other part of the common customs area of the Southern African Customs Union from the customs secured area of a IDZ in the common customs area and used in accordance with the provision under item 470.03/00.00/01.00, should qualify for rebate of the duty while such products, used in accordance with the provision under item 521.00/00.00/01.00, should qualify for drawback of the duty.

The ITAC consulted with SARS regarding the implementation of the above recommendation and although further consultation may be needed the ITAC could not identify any reason that will prevent the creation of the recommended dispensation.