



International Trade Administration Commission of South Africa

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REPORT NO. 404

Withdrawal of rebate item 470.01 in Schedule No. 4 to the Customs and Excise Act, 1964

enabling



FAIR TRADE

The International Trade Administration Commission of South Africa herewith presents
Report No.404: **Withdrawal of rebate item 470.01 in Schedule No. 4 to the
Customs and Excise Act, 1964.**



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Siyabulela Tsengiwe
CHIEF COMMISSIONER

PRETORIA

...09.../.../2.../2012

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 404

WITHDRAWAL OF REBATE ITEM 470.01 IN SCHEDULE NO. 4 TO THE CUSTOMS AND EXCISE ACT, 1964

Synopsis

Following a request from the South African Revenue Service (SARS), the Commission initiated an investigation of the possible withdrawal of rebate item 470.01, as imports cleared in terms of this rebate item can be effectively dealt with under the more rigorous provisions of the export-promoting rebate item 470.03.

The Commission found that, between the years 2006 and 2010, approximately R100 billion worth of goods were cleared by Customs in terms of rebate item 470.01. In contrast, approximately R10 billion worth of goods were cleared under rebate item 470.03. Imports by Rand Refinery comprised roughly 99.9% of goods cleared in terms of rebate item 470.01.

The Commission found that, in the absence of appropriate control measures, such as registration with SARS, rebate item 470.01 is open to possible abuse. The provision is also superfluous and indeed redundant as all imports cleared under rebate item 470.01 can also be cleared under rebate item 470.03 offering the same benefits to users. In contrast to the control of imports under rebate item 470.01, the control measures instituted by ITAC and SARS for the monitoring of imports under item 470.03 are rigorous and effective.

In light of the foregoing, the Commission recommends that rebate item 470.01 of Schedule No 4 to the Customs and Excise Act, be withdrawn.

THE APPLICATION

Following a request from the South African Revenue Service (SARS), the Commission initiated an investigation of the possible withdrawal of rebate item 470.01, as imports cleared in terms of this rebate item can be effectively dealt with under the more rigorous provisions of the export-promoting rebate item 470.03.

The rebate descriptions of rebate items 470.01 and 470.03 are as follows:

Rebate item	Tariff Heading	Rebate Code	CD	Description	Extent of Rebate
470.00	GOODS TEMPORARILY ADMITTED FOR PROCESSING, REPAIR, CLEANING, RECONDITIONING, OR THE MANUFACTURE OF GOODS EXCLUSIVELY FOR EXPORT.				
470.01	00.00	01.00	03	Goods for processing, provided such goods do not become the property of the importer.	Full duty
470.03	00.00	01.00	03	Goods (excluding goods free of duty as contemplated in section 75A) cleared in terms of a permit issued by the International Trade Administration Commission, for use in the manufacture, processing, finishing, equipping, or packing of goods exclusively for export.	Full duty
470.03	00.00	02.00	08	Goods free of duty for use in the manufacture, processing, finishing, equipping, or packing of goods exclusively for export.	Full duty
470.03	00.00	03.00	02	Goods cleared in terms of a permit issued by the International Trade Administration Commission for use in the manufacture, processing, finishing, or equipping of yachts classifiable in tariff heading 89.03, exclusively for export.	Full duty

The main differences between rebate items 470.01 and 470.03 are summarised below:

Rebate item 470.01	Rebate item 470.03
No registration with SARS.	Register with SARS.
No permit issued by ITAC.	Subject to permit issued by ITAC.
Covers processing only.	Covers manufacture, processing, finishing, equipping, or packing.
Goods do not become the property of the importer.	No such requirement.

The application was published in the Government Gazette to allow for comments by interested parties.

COMMENTS ON THE APPLICATION

Rand Refinery (Pty) Ltd, a precious metals refinery and smelting firm; the Department of International Trade of the Republic of Botswana; the National Association of Automobile Manufacturers (NAAMSA); and the National Association of Automotive Component and Allied Manufacturers (NAACAM), supported the application. No objections were received.

FINDINGS

The Commission found that, between the years 2006 and 2010, approximately R100 billion worth of goods were cleared by Customs in terms of rebate item 470.01. In contrast approximately R10 billion worth of goods were cleared under rebate item 470.03. Imports by Rand Refinery comprised roughly 99.9% of goods cleared in terms of rebate item 470.01.

The Commission found that, in the absence of appropriate control measures, such as registration with SARS, rebate item 470.01 is open to possible abuse. The provision is also superfluous and indeed redundant as all imports cleared under rebate item 470.01 can also be cleared under rebate item 470.03 offering the same benefits to users. In contrast to the control of imports under rebate item 470.01, the control measures instituted by ITAC and SARS for the monitoring of imports under item 470.03 are rigorous and effective.

RECOMMENDATION

In light of the foregoing, the Commission recommends that rebate item 470.01 of Schedule No 4 to the Customs and Excise Act, be withdrawn.

[08/2012]