

REPORT NO. 415

AMENDMENT OF REBATE ITEM 316.17/00.00/03.00 FOR GOODS OF ANY DESCRIPTION USED IN THE MANUFACTURE OF RECEPTION APPARATUS FOR TELEVISION NOT DESIGNED TO INCORPORATE A VIDEO DISPLAY OR SCREEN (SET TOP BOXES)

The International Trade Administration Commission of South Africa herewith presents its Report No.415 : **AMENDMENT OF REBATE ITEM 316.17/00.00/03.00 FOR GOODS OF ANY DESCRIPTION USED IN THE MANUFACTURE OF RECEPTION APPARATUS FOR TELEVISION NOT DESIGNED TO INCORPORATE A VIDEO DISPLAY OR SCREEN (SET TOP BOXES)**, with recommendations.



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SIYABULELA TSENGIWE
CHIEF COMMISSIONER

PRETORIA

24 / 01 / 2013
..... 2013

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

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AMENDMENT OF REBATE ITEM 316.17/00.00/03.00 FOR GOODS OF ANY DESCRIPTION USED IN THE MANUFACTURE OF RECEPTION APPARATUS FOR TELEVISION NOT DESIGNED TO INCORPORATE A VIDEO DISPLAY OR SCREEN (SET TOP BOXES)

Synopsis

ITAC conducted a review to amend rebate item 316.17/00.00/03.00 to exclude mounted or populated circuit boards used in the manufacture of reception apparatus for television not designed to incorporate a video display or screen, known as set top boxes (STBs), classifiable under tariff subheading 8528.71.

The Commission found that domestic STB manufacturers have invested in highly automated production lines for the placement or population of electronic components on printed circuit boards, and that mounted or populated circuit boards should therefore be excluded from the rebate of duty provision.

The Commission also found that goods under tariff heading 85.28 should be excluded from the rebate of duty provision to ensure that STBs in kit-form are not imported under the rebate of duty provision. Finally, the Commission found that a permit system administered by ITAC would increase the effectiveness for eliminating possible abuse of the provision.

The Commission therefore recommended that the existing rebate item 316.17/00.00/03.00 be amended as follows:

“Goods of any description (excluding goods of heading 85.28 and mounted or populated circuit boards), used in the manufacture of reception apparatus for television not designed to incorporate a video display or screen, classifiable under tariff subheading 8528.71, at such times, in such quantities, and subject to such conditions as the International Trade Administration Commission may allow by specific permit”

THE APPLICATION AND TARIFF POSITION

1. ITAC conducted a review to amend rebate item 316.17/00.00/03.00 to exclude mounted or populated circuit boards used in the manufacture of reception apparatus for television not designed to incorporate a video display or screen, known as set top boxes (STBs), classifiable under tariff subheading 8528.71.
2. Populated or mounted circuit boards fall under a broad tariff heading, namely 8529.90.80 and are subject to a general customs duty of 20% *ad valorem* as follows:

Tariff sub-heading	Article description	Rate of Duty			
		General	EU	EFTA	SADC
8529.90.80	Other parts for reception apparatus for television	20%	Free	7.6%	Free

3. The existing tariff position for STBs, classifiable under tariff subheading 8528.71, is as follows:

Tariff heading	Article description	Rate of Duty			
		General	EU	EFTA	SADC
85.28	Monitors and projectors, not incorporating television reception apparatus; reception apparatus for television, whether or not incorporating radio-broad-cast receivers or sound or video recording or reproducing apparatus:				
8528.7	Reception apparatus for television, whether or not incorporating radio-broadcast receivers or sound or video recording or reproducing apparatus:				
8528.71	- With a value for duty purposes not exceeding R5 000	15%	free	free	free

4. The existing rebate of duty provision for the manufacture of STBs reads as follows:

INDUSTRY: RECEPTION APPARATUS FOR TELEVISION, AND PARTS THEREOF				
Rebate item	Tariff heading	Rebate code	Description	Extent of rebate
316.17	00.00	03.00	Goods of any description used in the manufacture of reception apparatus for television not designed to incorporate a video display or screen, classifiable in tariff subheading 8528.71	Full Duty

5. The reason for the review of the above rebate of duty provision is that existing domestic STB manufacturers have invested in highly automated production lines for the placement or population of electronic components on printed circuit boards.
6. The review was published on 23 March 2012 in the Government Gazette for comments by interested parties as follows:

AMENDMENT OF REBATE ITEM 316.17/00.00/03.00:

“Goods of any description (excluding mounted or populated circuit boards), used in the manufacture of reception apparatus for television not designed to incorporate a video display or screen, classifiable under tariff subheading 8528.71, at such times, in such quantities, and subject to such conditions as the International Trade Administration Commission may allow by specific permit”

THE INDUSTRY AND MARKET

7. There are currently two companies in SACU that manufacture STBs, namely: Altech UEC (Pty) Ltd and Divitech - a joint venture between Reunert Limited and Nozala Investments (Pty) Ltd.
8. There are a number of other domestic manufacturers that have the potential to manufacture the subject end-product, namely: RC&C Manufacturing (Pty) Ltd, Sabertec (Pty) Ltd, Tellumat (Pty) Ltd, Vektronix (Pty) Ltd and Arion-Bomema (Pty) Ltd. In addition, there are a number of contract manufacturers and system integrators that exist in SACU who have high-technology equipment that can populate printed circuit boards (PC boards) and manufacture STBs.
9. The domestic STB manufacturers have invested in highly automated production lines for the placement or population of electronic components on printed circuit boards. These electronic components are not manufactured in SACU and have to be imported. Total investment by the two existing STB manufacturers currently stands at approximately R210 million.
10. Altech UEC has demonstrated global competitiveness in STB design and manufacture which has put it in a position to export to other markets and move up the value chain in terms of more complex STBs, such as personal video recorders (PVRs).

COMMENTS RECEIVED

11. The amendment of rebate item 316.17/00.00/03.00 to exclude mounted or populated circuit boards was supported by the STB manufacturers, Altech UEC (Pty) Ltd and Divitech (Pty) Ltd, and potential STB manufacturers, such as RC&C Manufacturing (Pty) Ltd, Vektronix (Pty) Ltd.

FINDINGS

12. The Commission found that the domestic STB manufacturers have invested in highly automated production lines for the placement or population of electronic components on printed circuit boards, and that mounted or populated circuit boards should therefore be excluded from the rebate of duty provision.
13. The Commission also found that goods under tariff heading 85.28 should be excluded from the rebate of duty provision to ensure that STBs in kit-form are not imported under the rebate of duty provision.
14. Finally, the Commission found that a permit system administered by ITAC would increase the effectiveness for eliminating possible abuse of the provision.

RECOMMENDATION

15. In light of the foregoing, the Commission recommends that the existing rebate of duty provision for STBs be amended as follows:

Amendment of rebate item 316.17/00.00/03.00

“Goods of any description (excluding goods of heading 85.28 and mounted or populated circuit boards), used in the manufacture of reception apparatus for television not designed to incorporate a video display or screen, classifiable under tariff subheading 8528.71, at such times, in such quantities, and subject to such conditions as the International Trade Administration Commission may allow by specific permit”