

REPORT NO: 428

**REBATE OF CUSTOMS DUTY ON SODIUM
HYDROXIDE FOR THE MANUFACTURE OF
SODIUM METASILICATES**

The International Trade Administration Commission of South Africa herewith presents its Report No. 428: **Rebate of customs duty on sodium hydroxide for the manufacture of sodium metasilicates**



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Siyabulela Tsengiwe
CHIEF COMMISSIONER

PRETORIA

..10.1.05..2013

REPUBLIC OF SOUTH AFRICA
INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA
REPORT NO. 428

**REBATE OF CUSTOMS DUTY ON SODIUM HYDROXIDE FOR THE
MANUFACTURE OF SODIUM METASILICATES**

Synopsis

Kiran Global Silica SA (Pty) Ltd (Kiran) applied for a rebate of customs duty on sodium hydroxide (caustic soda) classifiable under tariff subheading 2815.11 with a rate of duty of 20% ad valorem, for the manufacture of sodium metasilicates classifiable under tariff subheading 2839.11 at free of duty.

The Commission found that the product in question is manufactured in the SACU. However, not in sufficient quantities to meet the SACU market requirements.

The Commission therefore decided to recommend the creation of a rebate provision for rebate of the full duty on solid sodium hydroxide (caustic soda) classifiable under tariff subheading 2815.11, for use in the manufacture of sodium metasilicates classifiable under tariff subheading 2839.11, at such times and under such conditions as ITAC may allow by specific permit.

In terms of the guidelines governing the recommended rebate provision, the industry choosing to utilize this rebate provision, would be required, among others, to first consult with the local manufacturers of caustic soda for confirmation of the ability to supply caustic soda. If such confirmation is not forthcoming, a permit will be issued for the additional quantity needed by the sodium metasilicate manufacturing industry.

The Commission further recommends that, in the event of the SACU manufacturers being able to supply the SACU market in the required quantities, a review of the rebate provision be undertaken.

In light of the above, the Commission recommended the creation of a rebate provision for rebate of the full duty on sodium hydroxide (caustic soda) classifiable under tariff subheading 2815.11, for use in the manufacture of sodium metasilicates classifiable under tariff subheading 2839.11, at such times and under such conditions as ITAC may allow by a specific permit.

THE APPLICATION AND TARIFF POSITION

Kiran Global Silica SA (Pty) Ltd (Kiran) applied for a rebate of customs duty on sodium hydroxide (caustic soda) classifiable under tariff subheading 2815.11 with a rate of duty of 20% ad valorem, for the manufacture of sodium metasilicates classifiable under tariff subheading 2839.11, at free of duty.

As reasons for the application, the applicant stated that the product in question is not available in sufficient quantities in the SACU and that the current rate of duty affects its competitive position adversely.

The application was published in the Government Gazette of 17 August 2012 for comments by interested parties as follows:

Rebate of duty:

“Solid sodium hydroxide (caustic soda) classifiable under tariff subheading 2815.11, for use in the manufacture of sodium metasilicates classifiable in tariff subheading 2839.11”

The existing tariff structure for solid sodium hydroxide reads as follows:

Table 1: Tariff structure for caustic soda

Tariff heading	Tariff sub-heading	Description	Statistical Unit	Rate of duty			
				General	EU	EFTA	SADC
28.15		Sodium hydroxide (Caustic soda); Potassium hydroxide (caustic potash); peroxides of sodium or potassium:					
	2815.11	Solid	Kg	20%	20%	20%	Free

INDUSTRY AND MARKET

The applicant has built a sodium metasilicate manufacturing plant in the SACU to supply local customers and neighbouring countries with sodium metasilicate. The capacity to manufacture sodium metasilicate is estimated at 120 000 tonnes per annum. This product is used downstream for the manufacture of a variety of products such as soaps and detergents, and ceramics. The applicant indicated that it has begun negotiating the supply of caustic soda (an important intermediate input in the production of sodium metasilicate) with local manufactures in the SACU.

Sodium hydroxide (caustic soda) is manufactured in the SACU by NCP Chlorchem (Pty) Ltd, Sasol Polymers, and Mondi (Pty) Ltd, mainly as a by-product from other operations. These three domestic manufacturers account for approximately 50 per cent of the SACU market. However, the caustic soda produced by Mondi (Pty) Ltd is captive, as it is only for their own use.

The current annual production by Sasol Polymers and NCP Chlorchem of caustic soda is approximately 245 000 tons while imports of this product, in 2012, were approximately 417 000 tons. The SACU manufacturers of caustic soda therefore are currently not in a position to supply caustic soda in sufficient quantities for the SACU market. However, Sasol Polymers and NCP Chlorchem undertook to supply the applicant with limited quantities of caustic soda.

The applicant currently imports sodium metasilicate for supply to the SACU market and has not commenced with full production of sodium metasilicate (only trial runs) in its newly-built factory. Full production will only commence once a guaranteed domestic supply is realised and once it may import caustic soda at free of duty, under rebate.

The applicant has made a significant investment towards the manufacturing of sodium metasilicate in the SACU, and estimates an increase in employment as soon as the full manufacturing of sodium metasilicate commences.

The following table shows the imports of caustic soda in the SACU, from 2009 to 2011:

Table 2: SACU imports of caustic soda

	2009	2010	2011
Volumes	365 244 591 kg	472 134 227 kg	416 956 804 kg
Values	R 527 560 959	R 452 214 207	R 633 892 684

COMMENTS ON THE APPLICATION

NCP Chlorchem (Pty) Ltd supported the application on the basis that it is not in a position to provide the applicant with the required tonnage of caustic soda.

Sasol Polymers and NCP Chlorchem submitted commitments to supply the applicant with limited quantities of caustic soda.

FINDINGS

The Commission found that the product in question is manufactured in the SACU. However, not in sufficient quantities to meet the SACU market requirements.

The Commission therefore decided to recommend the creation of a rebate provision for rebate of the full duty on solid sodium hydroxide (caustic soda) classifiable under tariff subheading 2815.11, for use in the manufacture of sodium metasilicates classifiable under tariff subheading 2839.11, at such times and under such conditions as ITAC may allow by specific permit.

In terms of the guidelines governing the recommended rebate provision, the industry choosing to utilize this rebate provision, would be required, among others, to first consult with the local manufacturers of caustic soda for confirmation of the ability to supply caustic soda. If such confirmation is not forthcoming, a permit will be issued for the additional quantity needed by the sodium metasilicate manufacturing industry.

The Commission further recommends that, in the event of the SACU manufacturers being able to supply the SACU market in the required quantities, a review of the rebate provision be undertaken.

RECOMMENDATION

In light of the above, the Commission recommends the creation of a provision for rebate of the full duty on solid sodium hydroxide (caustic soda) classifiable under tariff subheading 2815.11, for use in the manufacture of sodium metasilicates classifiable under tariff subheading 2839.11, at such times and under such conditions as ITAC may allow by a specific permit.

(7/2012)