

**REPORT NO: 486**

**REBATE OF CUSTOMS DUTY ON SODIUM  
HYDROXIDE FOR USE IN THE MANUFACTURE OF  
SODIUM HYPOCHLORITE**

The International Trade Administration Commission of South Africa herewith presents its Report No. 486: **Rebate of customs duty on sodium hydroxide for use in the manufacture of sodium hypochlorite**



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**Siyabulela Tsengiwe**  
**CHIEF COMMISSIONER**

**PRETORIA**

**23/10/2014**

**REPUBLIC OF SOUTH AFRICA**  
**INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA**  
**REPORT NO. 486**

**REBATE OF CUSTOMS DUTY ON SODIUM HYDROXIDE FOR USE IN THE  
MANUFACTURE OF SODIUM HYPOCHLORITE**

**Synopsis**

NCP Chlorchem (Pty) Ltd (NCP), applied for rebate of duty on sodium hydroxide (caustic soda), in aqueous solution classifiable under tariff subheading 2815.12 with a rate of duty of 20 per cent ad valorem, for the manufacture of sodium hypochlorite classifiable under tariff subheading 2828.90.

The Commission found that the product in question is manufactured in the SACU but not in sufficient quantities to meet the SACU market requirements. The duty is also an onerous burden on the applicant, especially at its coastal plant, as the end product, sodium hypochlorite, can be imported at free of duty.

The Commission therefore decided to recommend the creation of a rebate provision for rebate of the full duty on caustic soda, in aqueous solution classifiable under tariff subheading 2815.12, for use in the manufacture of sodium hypochlorite classifiable under tariff subheading 2828.90, in such quantities, at such times and under such conditions as ITAC may allow by specific permit.

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.

**THE APPLICATION AND TARIFF POSITION**

NCP Chlorchem (Pty) Ltd (NCP), applied for rebate of duty on sodium hydroxide (caustic soda), in aqueous solution, classifiable under tariff subheading 2815.12 with

a rate of duty of 20 per cent ad valorem, for the manufacture of sodium hypochlorite classifiable under tariff subheading 2828.90.

NCP is one of three manufacturers of caustic soda in SACU. The applicant is based in Gauteng (Chloorkop) and Kwa-Zulu Natal (Cato Ridge) and manufactures caustic soda and sodium hypochlorite.

As reason for the application, the applicant stated that it is using imported caustic soda at a 20% duty as an input to manufacture sodium hypochlorite at its Cato Ridge site, which has cost raising implications. The applicant further indicated that it seeks a rebate of duty due to the short supply of more than 100 000 dry metric tons of caustic soda by the SACU industry. As caustic soda is not available in sufficient quantities in the SACU, the current rate of duty affects its competitive position adversely.

The application was published in the Government Gazette of 22 August 2014 for comments by interested parties.

The existing tariff structure for sodium hydroxide, in aqueous solution, reads as follows:

**Table 1: Tariff structure for caustic soda in aqueous solution**

Tariff heading	Tariff sub-heading	Description	Statistical Unit	Rate of duty			
				General	EU	EFTA	SADC
28.15		<b>Sodium hydroxide (Caustic soda); Potassium hydroxide (caustic potash); peroxides of sodium or potassium:</b>					
	2815.1	Sodium hydroxide (caustic soda):					
	2815.12	In aqueous solution (soda lye or liquid soda)	kg	20%	20%	20%	free

The end product manufactured by NCP, namely sodium hypochlorite, is classifiable under tariff subheading 2828.90 at free of duty.

## INDUSTRY AND MARKET

Sodium hydroxide (caustic soda) is manufactured in the SACU by NCP, 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 is captive, as it is only for its own use. The SACU manufacturers of caustic soda therefore are currently not in a position to supply caustic soda in sufficient quantities for the SACU market.

Caustic soda is produced during the electrolysis process of brine, which produces chlorine gas at the anode. Hydrogen gas and caustic soda solution is produced at the cathode. Caustic soda is used in many industrial applications such as water treatment, mineral beneficiation and PVC manufacture. The current consumption of caustic soda used in the manufacturing of sodium hypochlorite, is an average 40 tons per day. Sodium hypochlorite is produced through a controlled reaction of chlorine and membrane caustic soda lye. It is used as an industrial and household bleach and sanitiser and as a bleaching agent in the pulp and paper industry.

The following table shows the imports of caustic soda into the SACU, from 2011 to 2013:

**Table 2: SACU imports of caustic soda in aqueous solution**

	2011	2012	2013
Volumes	392 293 837 kg	491 918 985kg	218 312 631kg
Values	R 524 084 100	R876 361 789	R 387 270 499

## COMMENTS ON THE APPLICATION

Mondi Limited confirmed the existence of an acute shortage of caustic soda in the SACU market and indicated that it is currently utilising an existing rebate provision on caustic soda for the manufacture of hardboard pulp, linerboard and newsprint.

Sasol Base Chemicals objected to the creation of the rebate of duty provision on the basis that such action would adversely affect the profitability and sustainability of Sasol's overall business and would dilute the duty protection for caustic soda.

The Ministry of Trade and Industry in Botswana supported the application.

## **FINDINGS**

The Commission found that caustic soda is manufactured in the SACU but not in sufficient quantities to meet the SACU market requirements. The duty is also an onerous burden on the applicant, especially at its coastal plant, as the end product, sodium hypochlorite, can be imported at free of duty.

The Commission therefore decided to recommend the creation of a rebate provision for rebate of the full duty on caustic soda, classifiable under tariff subheading 2815.12, for use in the manufacture of sodium hypochlorite classifiable under tariff subheading 2828.90, in such quantities, 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 hypochlorite 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 rebate provision for rebate of the full duty on sodium hydroxide (caustic soda), in aqueous solution, classifiable under tariff subheading 2815.12, for use in the manufacture of sodium hypochlorite classifiable under tariff subheading 2828.90, in such quantities, at such times and under such conditions as ITAC may allow by a specific permit.

**(40/2013)**