

REPORT NO. 493

REDUCTION IN THE RATE OF CUSTOMS DUTY ON LITHIUM BATTERIES

The International Trade Administration Commission of South Africa herewith presents its Report No. 493. **Reduction in the rate of customs duty on lithium batteries**, with recommendations.



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CHIEF COMMISSIONER

PRETORIA

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REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 493

REDUCTION IN THE RATE OF CUSTOMS DUTY ON LITHIUM BATTERIES

Synopsis

N&Z Instrumentation and Control (Pty) Ltd, applied for a reduction in the rate of customs duty on lithium batteries classifiable under tariff subheading 8506.50.25, from 10% *ad valorem* to free of duty.

The Commission found that lithium batteries are not manufactured in the SACU region and that there are no domestically manufactured substitutes. The existing duty therefore has an unnecessary cost-raising impact.

The Commission recommended that the rate of customs duty on lithium batteries classifiable under tariff subheading 8506.50.25, be reduced from 10% *ad valorem* to free of duty.

INTRODUCTION

1. N&Z Instrumentation and Control (Pty) Ltd, applied for a reduction in the rate of customs duty on lithium batteries classifiable under tariff subheading 8506.50.25, from 10% *ad valorem* to free of duty.
2. The applicant is an importer of cylindrical lithium batteries of a diameter exceeding 19mm and a capacity of at least 18Ah.

3. As motivation for the application, the applicant stated the following:
- a) There are no known SACU manufacturers of lithium batteries used in bulk water management;
 - b) Water is a scarce commodity and the country has growing challenges in this area. Reliable flow metering and level measurements are vital parts of water management. The developed battery-powered magnetic flow meters give best performances in these applications and therefore require batteries with the highest power capacity. The subject batteries are the highest power available which provide savings in terms of water management;
 - c) Standard procedure throughout the world is to use lithium 3.6V batteries which are smaller but with a high capacity. They have high voltage and longer life span than standard batteries; and
 - d) Local battery manufacturers produce lower voltage batteries which are not suitable for industrial purposes.
4. The application was published in the Government Gazette on 19 December 2014 for comments by interested parties, as follows;

“REDUCTION IN THE RATE OF CUSTOMS DUTY ON:

Lithium batteries, cylindrical (excluding those of a height not exceeding 7mm), of a diameter exceeding 19mm, classifiable under tariff subheading 8506.50.25, from 10% *ad valorem* to free of duty”

THE TARIFF STRUCTURE

5. The current tariff structure of lithium batteries is as follows;

Table 1: Tariff position for lithium batteries

Heading/ Sub-heading	Article Description	Statistical Unit	Rate of Duty			
			General	EU	EFTA	SADC
85.06	Primary cells and primary batteries:					
8506.50	Lithium:					
8506.50.25	Other, cylindrical (excluding those of a height not exceeding 7mm), of a diameter exceeding 19mm	kg	10%	free	free	free

Source: SARS

6. The requested tariff position is as follows;

Table 2: Requested tariff position for lithium batteries

Heading/ Sub-heading	Article Description	Statistical Unit	Rate of Duty			
			General	EU	EFTA	SADC
85.06	Primary cells and primary batteries:					
8506.50	Lithium:					
	Other, cylindrical (excluding those of a height not exceeding 7mm), of a diameter exceeding 19mm	kg	free	free	free	free

INDUSTRY AND MARKET

7. The subject product is an industrial product used in bulk water management. The batteries are utilized in battery-powered magnetic meters that are of a sophisticated nature and allow remote controlling due to the telemetry technology feature that enables data transmission of meter readings.

8. There are no domestic manufacturers of the subject product. Eveready SA (Pty) Ltd produces alkaline batteries, serving a different market segment and

classifiable under a different customs tariff code. The subject product is not a substitute for the locally manufactured batteries.

COMMENTS ON THE APPLICATION

9. Comments in support of the application were received from the Ministry of Trade and Industry of the Republic of Botswana, and Eveready SA (Pty) Ltd.

FINDINGS

10. The Commission found that lithium batteries are not manufactured in the SACU region, and that there are no domestically manufactured substitutes. The existing duty therefore has an unnecessary cost-raising impact.

RECOMMENDATION

11. In light of the foregoing, the Commission recommends that the rate of customs duty on lithium batteries classifiable under tariff subheading 8506.50.25, be reduced from 10% *ad valorem* to free of duty.