

**REPORT NO. 503**

**Amendment of the wording for qualifying fabrics  
under rebate item 320.01 classifiable under tariff  
subheadings 5407.61; 5903.20.90 and 5907.00.90**

The International Trade Administration Commission of South Africa herewith presents its Report No. 503: **Amendment of the wording for qualifying fabrics under rebate item 320.01 classifiable under tariff subheadings 5407.61; 5903.20.90 and 5907.00.90**



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Siyabulela Tsengiwe  
CHIEF COMMISSIONER

PRETORIA  
29.07.2015

# REPUBLIC OF SOUTH AFRICA

## INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

### REPORT NO. 503

**Amendment of the wording for qualifying fabrics under rebate item 320.01  
classifiable under tariff subheadings 5407.61; 5903.20.90 and 5907.00.90**

#### **Synopsis**

The Commission found that the local textile fabric manufacturers manufacture a range of fabrics that meet the current description of qualifying fabrics under the existing 320.01 rebate provisions. The amended wording of qualifying fabrics under rebate items 320.01/5903.20.90 and 320.01/5907.00.90 in conjunction with ITAC's strengthened rebate controls and monitoring measures would allow the rebate provision to be made specific to a particular range of fabrics not available from local sources and would narrow the description to more clearly identify the specific fabrics that would meet the requirements of the upholstery industry.

In light of the foregoing, the Commission recommended that:

The wording of rebate item 320.01 classifiable under tariff subheadings 5903.20.90 and 5907.00.90 be amended as follows:

**320.01/5903.20.90/01.08:** Other textile fabrics **commonly known as imitation leather, laminated with polyurethane**, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, for use in the manufacture of upholstered furniture classifiable in tariff heading 94.01

**320.01/5907.00.90/01.08:** Textile fabrics **commonly known as imitation leather backed with bonded leather**, in such quantities, at such times and subject to such conditions that the International Trade Administration Commission may allow by specific permit, for use in the manufacture of upholstered furniture classifiable in tariff heading 94.01.

## 1. THE APPLICATION AND TARIFF POSITION

- 1.1. The Textile Federation of South Africa (Texfed) applied for an amendment of the wording of qualifying fabrics for the manufacture of upholstered furniture under rebate item 320.01. The rebate provision provides for a rebate of the full duty on certain fabrics to enable furniture manufacturers to import intermediate inputs that are not locally manufactured, at free of duty.
- 1.2. The existing rebate provision for upholstered furniture classifiable under tariff heading 94.01 reads as follows:

Rebate Item	Tariff sub heading	Description	Extent of Rebate
320.01	5407.61	Woven fabrics, containing 85 per cent or more by mass of non-textured polyester filaments, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, for use in the manufacture of upholstered furniture classifiable in tariff heading 94.01	Full duty
320.01	5903.20.90	Other textile fabrics impregnated, coated, covered or laminated with polyurethane, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, for use in the manufacture of upholstered furniture classifiable in tariff heading 94.01	Full duty
320.01	5907.00.90	Textile fabrics otherwise impregnated, coated or covered, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit for use in the manufacture of upholstered furniture classifiable in tariff heading 94.01	Full duty

- 1.3. The applicant stated that the main reason for its request to amend the wording is because of the broad scope and coverage of the three qualifying fabrics under the rebate provision, as the broad description of the qualifying fabrics is such that it covers at least 80% of what is manufactured domestically.
- 1.4. The tariff structure for the qualifying fabrics under rebate item 320.01 is given in Table 1 below:

**Table 1: Tariff structure of the fabrics in question-input material**

Tariff heading	Tariff subheading	Article description	Rate of duty			
			General	EU	EFTA	SADC
<b>54.07</b>		Woven fabrics of synthetic filament yarn, including woven fabrics obtained from materials of heading 54.04:				
	5407.61	Containing 85 % or more by mass of non-textured polyester filaments	22%	10%	10%	Free
<b>59.03</b>		Textile fabrics impregnated, coated, covered or laminated with plastics (excluding those of heading 59.02):				
	<b>5903.20</b>	With polyurethane:				
	5903.20.90	Other	22%	10%	10%	Free
<b>5907.00</b>		Textile fabrics otherwise impregnated, coated or covered; painted canvas being theatrical scenery, studio back-cloths or the like:				
	5907.00.90	Other	22%	10%	10%	Free

1.5. The tariff structure for the end products (i.e. upholstered furniture) is given in Table 2 below:

**Table 2: Tariff structure of the end products (Upholstered furniture)**

Heading	Sub-heading	Article Description	Rate of Duty			
			General	EU	EFTA	SADC
<b>94.01</b>		<b>Seats (excluding those of heading 94.02), whether or not convertible into beds, and parts thereof:</b>				
	9401.30	Swivel seats with variable height adjustment	20%	Free	20%	Free
	9401.40	Seats (excluding garden seats or camping equipment), convertible into beds	20%	Free	20%	Free
<b>9401.5</b>		<b>Seats of cane, bamboo or similar materials</b>				
	9401.51	Of bamboo or rattan	20%	Free	20%	Free
	9401.59	Other	20%	Free	20%	Free
<b>9401.6</b>		<b>Other seats, with wooden frames:</b>				
	9401.61	Upholstered	20%	Free	20%	Free
	9401.69	Other	20%	Free	20%	Free
<b>9401.7</b>		<b>Other seats, with metal frames</b>				
	9401.71	Upholstered	20%	Free	20%	Free
	9401.79	Other	20%	Free	20%	Free
	9401.80	Other seats	20%	Free	20%	free

1.6. The application for an amendment was published in the Government Gazette on 20 February 2015 for comments by interested parties as follows (proposed amendments in bold):

- 320.01/5407.61/01.06: Woven fabrics **surface treated to resemble suede** containing 85 % or more by mass of non-textured **micro-fibre** polyester filament yarns, **of a mass exceeding 150g/m<sup>2</sup> and of a width not exceeding 150 cm**, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, for use in the manufacture of upholstered furniture classifiable in tariff heading 94.01.
- 320.01/5903.20.90/01.08: Other textile fabrics **commonly known as imitation leather, laminated with polyurethane**, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, for use in the manufacture of upholstered furniture classifiable in tariff heading 94.01.
- 320.01/5907.00.90/01.08: Textile fabrics **commonly known as imitation leather backed with bonded leather**, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, for use in the manufacture of upholstered furniture classifiable in tariff heading 94.01.

## 2. INDUSTRY AND MARKET

2.1. Upholstered furniture is a type of furniture that usually has a wooden frame and contains springs, cushioned with backing or foam and lastly covered in either fabrics or leather. Upholstered furniture items include lounge suites, dining room chairs and ottomans. The fabrics imported under rebate are used in the manufacture of upholstered furniture, specifically the manufacture of lounge suites at the Alpine Lounge, Gomma Gomma and Grafton Everest factories.

- 2.2. Other fabrics used for upholstered furniture are velvet, chenille fabrics and rubberised textile fabrics.
- 2.3. According to information at the Commission's disposal, Bravo Group (Pty) Ltd is the largest upholstered furniture manufacturer in the SACU and has been producing furniture for many years. Bravo Group (Pty) Ltd operates in a fairly competitive domestic furniture market with other manufacturers of upholstered furniture, including amongst others: Coricraft (Pty) Ltd, Style Collection, Motani Lounge, Cantoni and Lounge Craft.
- 2.4. Fibre Mill (Pty) Ltd and Gelvenor Textiles (Pty) Ltd are involved in the manufacture of certain fabrics that meet the description of the qualifying fabrics under the current rebate provision.

### **3. COMMENTS ON THE APPLICATION**

- 3.1. ITAC convened an industry stakeholder forum to address pertinent issues around the textile rebate provisions for the furniture industry. The outcome included a consensus by the industry on the importance of strengthening the rebate controls and monitoring measures by ITAC to eliminate abuse and introduce greater transparency.
- 3.2. Following the stakeholder forum, the applicant withdrew its request to amend rebate provision 320.01/5407.61/01.06, on the basis of strengthened rebate controls and monitoring measures by ITAC. The applicant stated that, should the amendment to this rebate provision be proceeded with, the "Thuli" fabrics imported by Coricraft would be excluded. This would not have been reasonable as the "Thuli" fabrics are not made in the SACU. The withdrawal and proposed amendments to the guidelines, rules and conditions pertaining to the rebate provision were published on 29 May 2015 in the Government Gazette for interested parties to comment.

- 3.3. The comments received in response to the final publication notice, were in support of the amendments to the rebate provisions recommended below and the strengthened guidelines, rules and conditions governing the 320.01 rebate provision including the involvement for monitoring purposes of the South African Sustainable Textile and Apparel Cluster (SASTAC).

#### 4. FINDINGS

- 4.1. The Commission found that the local textile fabric manufacturers manufacture a range of fabrics that meet the current description of qualifying fabrics under the existing 320.01 rebate provisions. The amended wording of qualifying fabrics under rebate items 320.01/5903.20.90 and 320.01/5907.00.90 in conjunction with ITAC's strengthened rebate controls and monitoring measures would allow the rebate provision to be made specific to a particular range of fabrics not available from local sources and would narrow the description to more clearly identify the specific fabrics that would meet the requirements of the upholstery industry.

#### 5. RECOMMENDATION

- 5.1. In light of the foregoing, the Commission recommends that:

The wording of rebate item 320.01 classifiable under tariff subheadings 5903.20.90 and 5907.00.90 be amended as follows:

**320.01/5903.20.90/01.08:** Other textile fabrics **commonly known as imitation leather, laminated with polyurethane**, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, for use in the manufacture of upholstered furniture classifiable in tariff heading 94.01

**320.01/5907.00.90/01.08:** Textile fabrics **commonly known as imitation leather backed with bonded leather**, in such quantities, at such times and subject to such conditions that the International Trade Administration



Commission may allow by specific permit, for use in the manufacture of upholstered furniture classifiable in tariff heading 94.01.

**[17/2014]**