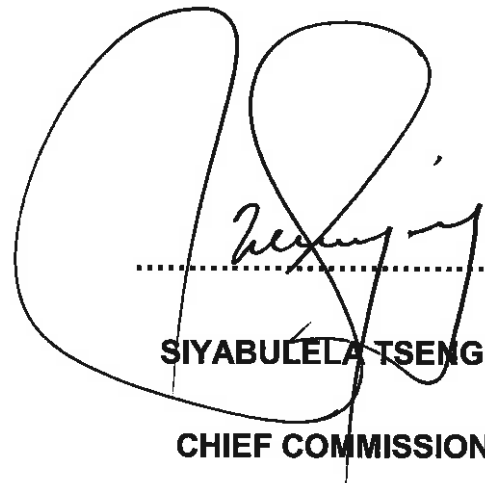


REPORT NO. 519

REDUCTION IN THE RATE OF CUSTOMS DUTY ON DIESEL, PETROL AND ELECTRIC PASSENGER VEHICLES NOT EXCEEDING 800KG, DIESEL GOODS VEHICLES NOT EXCEEDING 1 100KG AND PETROL AND ELECTRIC GOODS VEHICLES NOT EXCEEDING 800KG

The International Trade Administration Commission of South Africa herewith presents its Report No. 519: **REDUCTION IN THE RATE OF CUSTOMS DUTY ON DIESEL, PETROL AND ELECTRIC PASSENGER VEHICLES NOT EXCEEDING 800KG, DIESEL GOODS VEHICLES NOT EXCEEDING 1 100KG AND PETROL AND ELECTRIC GOODS VEHICLES NOT EXCEEDING 800KG**, with recommendations.



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SIYABULELA TSENGIWE
CHIEF COMMISSIONER

PRETORIA

04.105.12016

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 519

REDUCTION IN THE RATE OF CUSTOMS DUTY ON DIESEL, PETROL AND ELECTRIC PASSENGER VEHICLES NOT EXCEEDING 800KG, DIESEL GOODS VEHICLES NOT EXCEEDING 1 100KG AND PETROL AND ELECTRIC GOODS VEHICLES NOT EXCEEDING 800KG

Synopsis:

Smith Mining Equipment (Pty) Ltd t/a Smith Power Equipment applied for a reduction in the customs duty rate on diesel, petrol and electric passenger vehicles not exceeding 800kg, diesel goods vehicles not exceeding 1 100kg and petrol and electric goods vehicles not exceeding 800kg from 25% *ad valorem* to free of duty. The subject products are classifiable under tariff subheadings 8703.21.90, 8703.31.90, 8703.90.29 and 8704.90.40.

The Commission found that the subject products are not manufactured in the SACU region. The existing duty has an unnecessary cost-raising effect.

The Commission recommends that the rate of customs duty on the subject products be reduced from 25% *ad valorem* to free of duty by creating additional 8-digit tariff subheadings under tariff headings 87.03 and 87.04 and amending the descriptions of existing tariff subheadings.

In order to limit the scope of the vehicles other than just by the mass of the vehicles, the Commission recommends that the following note be inserted in the South African Harmonised Customs Tariff:

“The vehicles classifiable in tariff subheadings 8703.21.75, 8703.31.85, 8703.90.31, 8704.21.77, 8704.31.77, 8704.90.35 shall have steering wheels fitted on the left-hand side of the vehicle and may not be operated on a public road in terms of the National Road Traffic Act (Act 93 of 1996).”

THE APPLICATION AND TARIFF POSITION

1. Smith Mining Equipment (Pty) Ltd t/a Smith Power Equipment, applied for a reduction in the rate of customs duty on diesel, petrol and electric passenger vehicles not exceeding 800kg, diesel goods vehicles not exceeding 1 100kg and petrol and electric goods vehicles not exceeding 800kg, from 25% *ad valorem* to free of duty by way of creating additional 8 digit tariff subheadings under tariff headings 87.04 and 87.03. The subject products are strictly intended for off-road purposes and are currently classifiable under tariff subheadings 8703.21.90, 8703.31.90, 8703.90.29 and 8704.90.40.
2. The applicant is an importer of specialist machinery and off-road vehicles. The subject products are imported in kit form, and are assembled domestically.
3. As motivation for the application, the applicant stated the following:
 - a. There are no local manufacturers of the subject products in the SACU region;
 - b. The cost-raising effect of the current duty has rendered the subject products unaffordable to the end user; and
 - c. A reduction in the duty would reduce the cost of the assembled product rendering it affordable to the end user.
4. The application was initially published in the Government Gazette of 19 June 2015. However, following consultations with The National Association of Automobile Manufacturers of South Africa (NAAMSA) regarding the proposed description, the revised application was published in the Government Gazette of 23 October 2015.
5. The current tariff structure of the subject products reads as follows:

Table 1: Current tariff structure of the subject products

Tariff heading/ subheading	Description	Unit	Rate of Duty			
			General	EU	EFTA	SADC
87.03	Motor cars and other motor vehicles principally designed for the transport of persons (excluding those of heading 87.02), including station wagons and racing cars:					
8703.2	Other vehicles, with spark-ignition internal combustion reciprocating piston engine:					
8703.21	Of a cylinder capacity not exceeding 1 000cm ³ :					
8703.21.90	Other	U	25%	Free	Free	Free
8703.3	Other vehicles, with compression-ignition internal combustion piston engine (diesel or semi-diesel):					
8703.31	Of a cylinder capacity not exceeding 1 500 cm ³ :					
8703.31.90	Other	U	25%	18%	25%	Free
8703.90	Other:					
8703.90.29	Electric vehicles	U	25%	25%	25%	Free
87.04	Motor vehicles for the transport of goods:					
8704.21	G.V.M. not exceeding 5 t:					
8704.21.75	Other, with an engine capacity not exceeding 1 000 cm ³	U	25%	18%	20%	Free
8704.90	Other:					
8704.90.40	- - Electric vehicles, of a mass not exceeding 2 000 kg or a G.V.M. not exceeding 3 500 kg, or of a mass not exceeding 1 600 kg or a G.V.M. not exceeding 3 500 kg per chassis fitted with a cab	U	25%	18%	20%	Free

6. The requested tariff position is as follows:

Table 2: Proposed tariff structure

Tariff heading/ subheading	Description	Unit	Rate of Duty			
			General	EU	EFTA	SADC
87.03	Motor cars and other motor vehicles principally designed for the transport of persons (excluding those of heading 87.02), including station wagons and racing cars:					

8703.21.75	Other, with a vehicle mass exceeding 250 kg but not exceeding 800 kg	U	Free	Free	Free	Free
8703.31.85	Other, with a vehicle mass exceeding 600 kg but not exceeding 800 kg	U	Free	Free	Free	Free
8703.90.29	Electric vehicles	U	Deleted			
8703.90.31	Electric vehicles with a mass not exceeding 800 kg	U	Free	Free	Free	Free
8703.90.33	Other electric vehicles	U	25%	25%	25%	free
87.04	Motor vehicles for the transport of goods:					
8704.21.75	Other, with an engine capacity exceeding 1 000 cm ³ (excluding the vehicles of subheading 8704.21.77)	U	25%	18%	20%	Free
8704.21.77	Other, with a vehicle mass exceeding 600kg but not exceeding 1100kg	U	Free	Free	Free	Free
8704.31.75	Other, with an engine capacity not exceeding 1 000cm ³ (excluding the vehicles of subheading 8704.31.77)	U	25%	18%	20%	Free
8704.31.77	Other, with a vehicle mass exceeding 600 kg but not exceeding 800 kg	U	Free	Free	Free	Free
8704.90.35	Electric vehicles with a vehicle mass not exceeding 800 kg	U	Free	Free	Free	Free
8704.90.40	Other electric vehicles, of a mass not exceeding 2 000 kg or a G.V.M not exceeding 3500 kg or of a mass not exceeding 1 600 kg or a G.V.M not exceeding 3 500 kg per chassis fitted with a cab	U	25%	18%	20%	Free

INDUSTRY AND MARKET

7. There are no domestic manufacturers of the subject products.
8. The subject products are strictly intended for off-road purposes. They are imported in kit form and assembled domestically. They are used for various applications such as transporting goods in warehouses and factories; extreme sports; agricultural purposes; and military applications.

9. The identified importers of the subject products include Smith Mining Equipment (Pty) Ltd; John Deere (Pty) Ltd; BRP South Africa (Pty) Ltd; and Honda Motors Southern Africa (Pty) Ltd.

COMMENTS ON THE APPLICATION

10. Comments supporting the application were received from the Association of Motorcycle Importers and Distributors (AMID).

FINDINGS

11. The Commission found that the subject products are not manufactured in the SACU region, and that there are no domestically manufactured substitutes.
12. The existing duty has an unnecessary cost-raising effect.
13. The subject products do not compete with domestically manufactured vehicles as they are strictly intended for off-road purposes.
14. In order to further limit the scope of the vehicles other than just by the mass of the vehicles, the following note should be inserted in the South African Harmonised Customs Tariff:

“The vehicles classifiable in tariff subheadings 8703.21.75, 8703.31.85, 8703.90.31, 8704.21.77, 8704.31.77, 8704.90.35 shall have steering wheels fitted on the left-hand side of the vehicle and may not be operated on a public road in terms of the National Road Traffic Act (Act 93 of 1996).”

RECOMMENDATION

15. In the light of the foregoing, the Commission recommends that the duty structure for diesel, petrol and electric passenger vehicles not exceeding 800kg, diesel goods vehicles not exceeding 1 100kg, and petrol and electric goods vehicles not exceeding 800kg, be amended as follows:

Tariff heading/ subheading	Description	Unit	Rate of Duty			
			General	EU	EFTA	SADC
87.03	Motor cars and other motor vehicles principally designed for the transport of persons (excluding those of heading 87.02), including station wagons and racing cars:					
8703.21.75	Other, with a vehicle mass exceeding 250 kg but not exceeding 800 kg	U	Free	Free	Free	Free
8703.31.85	Other, with a vehicle mass exceeding 600 kg but not exceeding 800 kg	U	Free	Free	Free	Free
8703.90.29	Electric vehicles	U	Deleted			
8703.90.31	Electric vehicles with a mass not exceeding 800 kg	U	Free	Free	Free	Free
8703.90.33	Other electric vehicles	U	25%	25%	25%	free
87.04	Motor vehicles for the transport of goods:					
8704.21.75	Other, with an engine capacity exceeding 1 000 cm ³ (excluding the vehicles of subheading 8704.21.77)	U	25%	18%	20%	Free
8704.21.77	Other, with a vehicle mass exceeding 600kg but not exceeding 1100kg	U	Free	Free	Free	Free
8704.31.75	Other, with an engine capacity not exceeding 1 000cm ³ (excluding the vehicles of subheading 8704.31.77)	U	25%	18%	20%	Free
8704.31.77	Other, with a vehicle mass exceeding 600 kg but not exceeding 800 kg	U	Free	Free	Free	Free
8704.90.35	Electric vehicles with a vehicle mass not exceeding 800 kg	U	Free	Free	Free	Free
8704.90.40	Other electric vehicles, of a mass not exceeding 2 000 kg or a G.V.M not exceeding 3500 kg or of a mass not exceeding 1 600 kg or a G.V.M not exceeding 3 500 kg per chassis fitted with a cab	U	25%	18%	20%	Free

16. In order to further limit the scope of the vehicles other than just by the mass of the vehicles, the Commission recommends that the following note be inserted in the South African Harmonised Customs Tariff:

“The vehicles classifiable in tariff subheadings 8703.21.75, 8703.31.85, 8703.90.31, 8704.21.77, 8704.31.77, 8704.90.35 shall have steering wheels fitted on the left-hand side of the vehicle and may not be operated on a public road in terms of the National Road Traffic Act (Act 93 of 1996).”