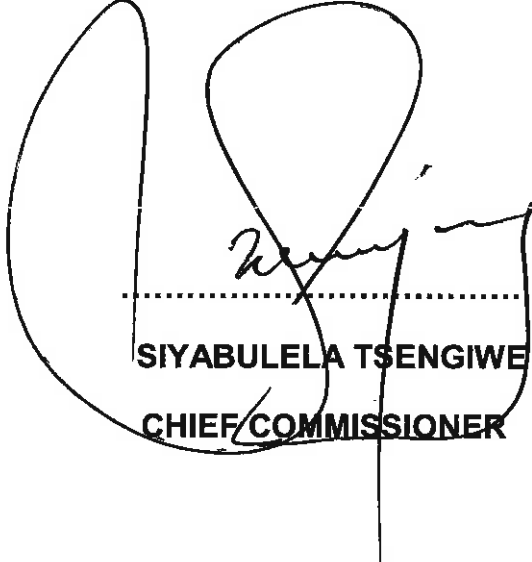


REPORT NO. 516

**REVIEW OF REBATE ITEM 316.23/85.29 GOVERNING THE
MONITORS ASSEMBLY INDUSTRY**

The International Trade Administration Commission of South Africa herewith presents its report No. 516: **Review of rebate item 316.23/85.29 governing the monitors assembly industry**



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CHIEF COMMISSIONER

PRETORIA

02 | 03 | 2016

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 516

REVIEW OF REBATE ITEM 316.16/85.29 GOVERNING THE MONITOR ASSEMBLY INDUSTRY

Synopsis

ITAC initiated an investigation on the possible withdrawal of the SKD provision.

The Commission found that the differentiated rebate dispensation assisted manufactures in minimising the adjustment costs of transitioning from the Semi-Knocked Down ("SKD") model of assembly to the relatively high value-added Completely-Knocked Down ("CKD") model of assembly.

The Commission found that maintaining the current SKD provision could assist in developing the monitors industry in the Republic of Botswana, similar to the path followed in South Africa.

Application and tariff position

1. In 2011, in its Report No 382, the Commission introduced a differentiated rebate dispensation for the monitors assembly industry: A rebate of the full duty provision for the completely knocked down (CKD) model of assembly and a partial rebate provision for the semi-knocked down (SKD) model of assembly. Unlike the SKD model, the CKD model of assembly required that the insertion or placement of electronic components on circuit boards be done domestically, necessitating deeper investment into the industry.

2. Under the existing rebate dispensation, CKD assemblers are allowed a rebate of the full duty on imported components. SKD assemblers, in contrast, are liable for a duty of 12.2% on display panels and 20% on mounted circuit boards. The aim of the rebate dispensation was to, over time, transition to the SKD assemblers to full CKD assembly.
3. ITAC initiated an investigation on the possible withdrawal of the SKD provision.
4. The following are the reasons for the review:
 - i) There has been a significant shift from SKD manufacturing towards CKD manufacturing by the local industry; and
 - ii) CKD manufacture has resulted in higher value-addition and capital investment.
5. The application was published on 31 July 2015 in the Government Gazette for comments by interested parties.
6. The current tariff structure for monitors is shown in Table 1 below and the current Schedule 3 rebate provision for display panels is shown in Table 2.

Table 1: Tariff position for the subject products

Tariff heading	Tariff subheading	Description	Unit	Rate of duty			
				General	EU	EFTA	SADC
85.28		Monitors and projectors, not incorporating television reception apparatus; reception apparatus for television, whether or not incorporating radio-broadcast receivers or sound or video recording or reproducing apparatus:					
	8528.5	Other monitors:					
	8528.51	Of a kind solely or principally used in an automatic data processing system of heading 84.71:					
	8528.51.10	Colour, with a screen with no side exceeding 45 cm	u	free	free	free	free
	8528.51.20	Colour, with a screen size exceeding 3 m x 4 m	u	free	free	free	free
	8528.51.90	Other	u	25%	free	free	free
	8528.59	Other:					

	8528.59.05	Colour, with a screen with no side exceeding 45 cm	u	25%	free	free	free
	8528.59.15	Colour, with a screen size exceeding 3 m x 4 m	u	free	free	free	free
	8528.59.90	Other	u	25%	free	free	free

Table 2: Current Rebate dispensation for the assembly of monitors

Rebate Item	Tariff Heading	Rebate Code	Description	Extent of Rebate
316.23	8529.90	02.06	Display panels (excluding any apparatus classifiable in heading 85.28) not equipped or presented with mounted or populated circuit boards designed for purposes other than pixel control, and inverters, whether or not incorporating a back lighting unit but not equipped or presented with any other components, at such times, in such quantities and under such conditions as the International Trade Administration Commission may allow by specific permit, for the manufacture of monitors not incorporating television reception apparatus classifiable in tariff subheadings 8528.51.90 and 8528.59.90, provided that the Commission is satisfied that the manufacturing process for monitors not incorporating television reception apparatus includes the mounting and populating of unpopulated (blank) circuit boards	Full duty (CKD)
316.23	8529.90	03.06	Display panels (excluding any apparatus classifiable in heading 85.28), not equipped or presented with mounted or populated circuit boards designed for purposes other than pixel control, and inverters, whether or not incorporating a back lighting unit but not equipped or presented with any other components, at such times, in such quantities and under such conditions as the International Trade Administration Commission may allow by specific permit, for the manufacture of monitors not incorporating television reception apparatus, classifiable in tariff subheadings 8528.51.90 and 8528.59.90	Full duty less 12.2% (SKD)

7. As shown in table 2 above, the full duty rebate (CKD) on display panels is afforded to assemblers whose manufacturing process for monitors not incorporating television reception apparatus, includes the mounting and populating of unpopulated (blank) circuit boards. The partial rebate (SKD) is afforded to those manufacturers that import populated circuit boards.

Comments received

8. Comments objecting to the withdrawal of the SKD rebate item were received from the Botswana Ministry of Trade and Industry stating that there are potential investors who wish to engage in SKD manufacturing of monitors prior to investing in full CKD manufacturing. As such, the SKD provision would be instrumental in developing the monitors industry in the Republic of Botswana.

Findings

9. The Commission found that the differentiated rebate dispensation assisted manufactures in minimising the adjustment costs of transitioning from the Semi-Knocked Down ("SKD") model of assembly to the relatively high value-added Completely-Knocked Down ("CKD") model of assembly.
10. The Commission found that maintaining the current SKD provision could assist in developing the monitors industry in the Republic of Botswana, similar to the path followed in South Africa.

Recommendations

11. In the light of the foregoing, the Commission recommends that rebate item 316.23/85.29/03.06 be maintained.
12. ITAC will continue to liaise with the Botswana Ministry of Trade and Industry on the progress regarding the development of the industry.