

EXPLANATORY MEMORANDUM

AMENDMENT FOR IMPLEMENTATION ON 1 JANUARY 2017

The amendments to the Schedules to the Customs and Excise Act, 1964 (the Act), are implemented **with effect from 1 January 2017**.

The amendments include the following:

- the implementation of the HS 2017 in Part 1 of Schedule No. 1;
- consequential amendment for HS 2017 in Part 2A and 2B of Schedule No. 1, Schedule Nos. 2, 3 and 6 to the Act;
- the phase-down of the rates of duty for 2017 in terms of the EPA between the European Union (EU) and the Southern African Development Community (SADC) EPA States in Part 1 of Schedule No. 1; and
- various technical amendments to the General Notes, Schedule Nos. 1, 4, 5 and 6 to the Act.

1. IMPLEMENTATION OF THE HS 2017

The amendment of Part 1 of Schedule No. 1 includes approximately -

- Deletions: 245
- Substitutions: 633
- Insertions: 137

It should be noted that where a 6-digit subheading is amended to an active subheading with rates of duty or amended from an active subheading with rates to a heading with no rates of duty, the 6-digit subheading will be included in the substitutions.



South African Revenue Service

The amendment of the HS Nomenclature includes 233 sets of amendments, divided as follows: 85 in the agricultural sector; 45 in the chemical sector; 13 in the wood sector; 15 in the textile sector; 6 in the base metal sector; 25 in the machinery sector; 18 in the transport sector and 26 in other sectors.

The amendments, includes inter alia, the following:

- Environmental and social issues of global concern, are the measure feature of the HS 2017 amendments, in particular the classification and coding of goods of specific importance to food security and the early warning data system of the United Nations' food and Agriculture Organisation (FAO).
- The amendments for fish and fishery products are to further enhance the coverage of species and product forms which needs to be monitored for food security purposes and for better management of resource. This will assist in the collection of trade statistics.
- New subheadings have been created for the monitoring and control of certain products of bamboo and rattan, requested by the International Network for Bamboo and Rattan (INBAR).
- New subheadings have also been created for specific chemicals controlled under the Chemical Weapons Convention (CWC), for certain hazardous chemicals controlled under the Rotterdam Convention and for certain persistent organic pollutants (POPs) controlled under the Stockholm Convention.

In terms of Article 3 to the HS Convention, Contracting Parties will in practice be obliged to modify their Customs tariff and statistical nomenclature to incorporate the HS headings and subheadings.



South African Revenue Service

SARS has given effect to the WCO recommendations by incorporating the proposed changes in Part 1 of Schedule No. 1 of the Act. The 8-digit national level is amended to maintain the current duty structure and duty rate phase downs in terms of South Africa's obligations in terms of trade agreements.

2. CONSEQUENTIAL AMENDMENTS FOR HS 2017

2.1 AMENDMENT OF GENERAL NOTES TO SCHEDULE NO. 1

General Note G provides for abbreviations and symbols used in the Schedules to the Act. It is currently not comprehensive and is extended to cover additional abbreviations used in the Schedule to the Act. This will ensure alignment with the abbreviations and symbols as contained in the Harmonised Commodity Description and Coding System as developed by the World Customs Organisation.

2.2 AMENDMENTS IN PART 2A OF SCHEDULE NO. 1

With the implementation of HS 2017, subheading 2204.22 is inserted to provide for wine in containers holding more than 2 litres (li) but not more than 10 li. Wine is subject to excise duties in terms of Part 2A of Schedule No. 1. As a result of the new insertion, the structure of item 104.15 has changed to accommodate the new subheadings.

The Part 2A of Schedule No. 1 items relating to the above-mentioned products are amended accordingly.

2.3 AMENDMENT OF PART 2B OF SCHEDULE NO. 1

With the implementation of HS 2017, subheading 8528.51 "*Other monitors, of a kind **solely or principally** used in an automatic data processing system of heading 84.71*" has been deleted and has been replaced with 8528.52 "*Other monitors,*



South African Revenue Service

capable of directly connecting to an designed for use with an automatic data processing machine of heading 84.71”.

As a result item numbers 124.75.29 and 124.75.31 have been linked to the new subheadings 8525.52.20 and 8528.52.90 respectively in Part 2B of Schedule No.1.

New provisions are created under the heading 126.02 for **Motor vehicles for the transport of ten or more persons, including the driver** as follows:

- with both compression-ignition internal combustion piston engine (diesel or semi-diesel) and electric motor as motors for propulsion;
- with both spark-ignition internal combustion reciprocating piston engine and electric motor as motors for propulsion; and
- only electric motor for propulsion as motor for propulsion.

New provisions are also created under the heading 126.03 for **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.**

The structure of Part 2B of Schedule No. 1 in as far as the motor vehicles has been restructured to accommodate the new provisions mentioned above.

2.4 AMENDMENT OF SCHEDULE NO. 2

In terms of HS 2017 tariff subheading 3907.60 is deleted in Part 1 of Schedule No.1 and new tariff subheadings 3907.61 and 3907.69 are inserted. As a consequence the anti-dumping item 207.01 is amended accordingly.

The following items are deleted:

207.01/3907.60.9/01.07

207.01/3907.60.9/02.07

207.01/3907.60.9/03.07

The following items are inserted:

207.01/3907.69 /01.06

207.01/3907.69/02.06

207.01/3907.69/03.06

2.5 AMENDMENT OF SCHEDULE NO. 3

As a consequence to the restructuring of tariff subheadings 3705.90; 3824.90 and 6907.90 in HS 2017, the relevant rebate item numbers in Part 1 of Schedule No. 3 are amended to reflect the correct subheadings as follows:

301.01/3824.99/01.06

301.01/3824.99/02.06

301.01/3824.99/03.06

313.06/69.07/01.04

316.21/3705.00.9/01.07

Rebate item numbers 316.23/00.00/01.00; 316.23/8529.90/02.06 and 316.23/8529.90/03.06 have been substituted to amend the description making reference to monitors of tariff subheading 8528.51.90 as a result of the restructuring in Part 1 of Schedule No. 1.

2.6 AMENDMENT OF SCHEDULE NO. 6

Section C in Part 1 of Schedule 6 has been restructured to make provision for the wine in containers of more than 2 li but not more than 10 li, as a consequence to Part 1 of Schedule No.1 in HS 2017.

Part 2 of Schedule No. 6 in as far as motor vehicles has also been restructured to accommodate the new provisions as a consequence to the new insertions in Part 1 of Schedule No.1 in HS 2017.



South African Revenue Service

The Section C in Part 1 and Part 2 of Schedule No. 6 items relating to the above-mentioned products are amended accordingly.

3. TECHNICAL AMENDMENTS

Amendments to Schedule Nos. 1, 4, 5 and 6 to the Act, are technical in nature and **will have no effect on the duty structure**. The amendments are as a result of requests by industry, SARS and other government agencies.

3.1 AMENDMENTS IN PART 1 TO SCHEDULE NO. 1

3.2 REQUESTS FROM THE NATIONAL AGRICULTURAL MARKETING COUNCIL FOR THE CREATION OF A SEPARATE TARIFF SUBHEADING FOR MANGO JUICE

The National Agricultural Marketing Council applied for the creation of a separate tariff subheading for mango juice, concentrated, not containing added sugar or other sweetening matter, of a Brix value exceeding 15.

Mango juice is classified in a residual tariff subheading 2009.89.50, which provides for other fruit juice concentrates. This is making it difficult for the mango industry to monitor the directly competitive products imported or exported.

The new 8-digit tariff subheading will enable industry to monitor volumes of the mango juice concentrates.

The following new 8-digit subheading is inserted:

2009.89.45	Mango juice, concentrated, not containing added sugar or other sweetening matter, of a Brix value exceeding 15
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3.3 REQUESTS FROM THE SOUTH AFRICAN ASSOCIATION OF FREIGHT FORWARDERS (SAAFF) FOR THE AMENDMENT OF SWEETCORN CLASSIFIABLE IN TARIFF HEADING 20.08

Tariff subheading 2008.99.60 provides for sweet corn (*Zea mays var. saccharata*). This tariff subheading was created for the European Free Trade Agreement (EFTA), which was implemented on 1 January 2008.

SAAFF notified SARS that subheading 2008.99.60 is technically not in line with the HS structure and may cause interpretation problems as sweet corn can only be classified in tariff subheading 2005.80 and the provision under 20.08 is therefore not correct. Tariff subheading 2008.90.60 is deleted as sweet corn is a vegetable covered in tariff heading 2005.80.

3.4 Amendment in Chapter 27

The opportunity is also used to substitute the tariff subheadings in Note (d) in Chapter 27 to read as follows:

“The use of goods classified under 2710.12.07, 2710.12.15, 2710.12.26, 2710.12.37 and 2710.12.39 are subject to the provisions of section 37A of the rules.”

With the HS 2012 tariff heading 2710.11 changed into tariff heading 2710.12. Note (d) in Chapter 27 was erroneously left unchanged. The current subheading can no longer apply. The amendment will be implemented **with retrospective effect from 1 January 2012.**

3.5 AMENDMENT OF SCHEDULE NO. 4

Rebate item 410.03/87.00/01.02 in Part 1 of Schedule No. 4 provides for goods for manufacturing or commercial purposes, not exceeding two assembled motor vehicles per model manufactured under rebate items **317.03** and 317.07, entered as prototypes for use exclusively in the development or manufacture of new models, subject to a permit issued by the Controller and any additional conditions he may impose in each case: Provided that the prototypes are not offered, advertised, lent, hired, leased, pledged, given away, exchanged, sold or otherwise disposed of within a period of two years from the date of entry under this item: Provided further that any one of the foregoing acts with such vehicles within a period of two years from the date of entry in terms of this item shall render such vehicles liable to payment of duty.

The rebate provision is substituted to remove the reference to rebate item **317.04** applicable to the Motor Industry Development Programme (MIDP) and replace it with rebate item 317.03 applicable to Automotive Production and Development Programme (APDP). MIDP provisions were deleted with effect from 1 January 2016. The MIDP has been replaced with the APDP with effect from 1 January 2013. The amendment will be implemented **with retrospective effect from 1 January 2013**.

3.6 AMENDMENT OF SCHEDULE NO. 5

A header for rebate item 551.03 applicable to other environmental levy exported to a BLNS country is inserted as rebate item 551.03/00.00/01.00 was created without a header.

Rebate items 536.00/00.00/01.00 is also deleted as it was applicable to MIDP. An equivalent provision is in place for APDP.

3.7 AMENDMENT OF SCHEDULE NO. 6

The opportunity is also used to correct the check digit of rebate item 620.24.11/104.17.25/11.01 from “75” to “70” published in Government Gazette No. 40294 dated 23 September 2016.