Tariffs on factory inputs slashed

SA will eliminate a slew of import tariffs on machinery, capital equipment and chemicals to reduce input costs fo producers and retail costs for consumers.

By Mathabo le Roux 19 Aug 2009

Tariffs of up to 20% on goods ranging from microwave ovens, hairdryers and telephone handsets have also been slashed zero, which should see consumers pay less for these goods.

The tariff cuts on some machinery and manufacturing equipment should also reduce the cost of equipment imported for th state's infrastructure programme.

The tariff cuts are part of an industrial policy plan to eliminate duties on goods that are not manufactured in SA to lower co for downstream manufacturing.

The plan is aimed at driving growth and jobs.

Done by the International Trade Administration Commission (Itac), the mammoth review of certain chapters of the tariff bo covered almost 1200 tariff lines, including goods used in the government's R787bn capital-expansion programme, and durable consumer goods such as white goods.

Automotive parts were excluded to maintain protection levels enjoyed by car makers under the Automotive Production and Development Programme.

Trade specialists welcomed the unilateral tariff review.

The tariff adjustments were made in consultation with industry and other members of the Southern African Customs Union (Sacu).

In several instances, notably for the manufacture of light bulbs in Lesotho and refrigerators in Swaziland, tariffs were maintained in support of neighbours' manufacturing sectors.

The review has led to the elimination of 20 tariffs on capital equipment and machinery. The most sweeping changes were the chemicals sector, with a range of rebates on duties and duty reductions proposed on upstream goods produced by manufacturers such as Sasol. Itac said the duties on many industrial inputs were having an “unnecessary cost-raising impact on downstream industries”.

A tariff increase was recommended in only one instance — 30% on washing machines from no duty — to protect local producers.

Itac chief commissioner Siyabulela Tsengiwe said the South African Revenue Service would now implement the amendments.

Trade economist Peter Draper said the review was clearly in line with industrial strategy. “On the face of it, the outcome seems sensible, but one important caveat is that there needs to be clarity on Itac's methodology.”

While SA has mostly erased duties on goods not made locally, many African countries levied such tariffs to boost their tax base, trade lawyer Hilton Zunkel said. “That SA is prepared to cut these duties sets us apart from countries that are revenu dependent on duty collection.”

Source: Business Day