

EXPLANATORY MEMORANDUM

AMENDMENT: HS 2017

Draft amendment to Schedule No. 1 to the Customs and Excise Act, 1964 (the Act), are scheduled for implementation on 1 January 2017.

Amendment of General Notes to Schedule No. 1

The World Customs Organisation (WCO), of which South Africa is a member, has published the amendments to the Nomenclature appended to the International Convention on the Harmonised System Commodity Description and Coding System (HS Convention), which were accepted as a result of the Customs Co-operation Council's recommendations of 27 June 2014. These amendments will enter into force on 1 January 2017.

Complementary amendments to the HS Nomenclature 2017 Edition have been accepted as a result of the Council Recommendation of 11 June 2015

The Preamble to the HS Convention emphasizes the importance of ensuring that the HS is kept up to date in light of changes in technology or in patterns of international trade. Article 7 of the HS Convention further states that it is for the HS Committee to propose such amendments to the HS Convention as may be considered desirable, having regard to, in particular, the needs of users.

This is the fifth major revision of the HS since it was approved by the Council in 1983 and implemented in 1988.

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

- Deletions: 209

- Substitutions: 69
- Insertions: 494

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.

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

The amendments, including, *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 need to be monitored for food security purposes and for better management of resource. This will assist in the collection of trade statistics.
- The HS 2017 amendment aims at detailed information for several categories of products that are used as antimalarial commodities.
- 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.

- The International Narcotics Control Board (INCB) requested the creation of new subheadings for the monitoring and control of pharmaceutical preparations containing ephedrine, pseudoephedrine or norephedrine, and for *alpha*-phenylacetoacetonitrile (APAAN), a pre-precursor for drugs.
- Headings 69.07 (unglazed ceramic products) and 69.08 (glazed ceramic products) were merged to take account of the fact that the main subheadings within these headings concern products which are essentially no longer manufactured, and the industry and trade no longer make a distinction between unglazed and glazed ceramic products, whilst new products with a very high trade volume are classified under subheadings 6907.90 and 6908.90 ("Other").
- For purposes of adapting the HS to current trade practices, certain important products will be separately identified in either existing or new subheadings.
- Advances in technology are also reflected in the amendments; inter alia, the size criteria for newsprint, light-emitting diode (LED) lamps, multi-component integrated circuits (MCOs), and hybrid, plug-in hybrid and all-electric vehicles.
- The amendments include clarification of texts to ensure uniform application of the nomenclature. For example, the regrouping of monopods, bipods, tripods and similar articles in a new heading, namely 96.20.
- 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.
- SARS has given effect to the WCO recommendations by incorporating the proposed changes in Part 1 of Schedule No. 1 to 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 with regard to trade agreements.

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