

Committee Secretaries
Standing Committee on Finance (National Assembly)

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05 October 2020

Dear Sir/Madam,

COMMENTS ON THE 2020 DRAFT TAXATION LAWS AMENDMENT BILL (2020 DRAFT TLAB), THE 2020 DRAFT TAX ADMINISTRATION LAWS AMENDMENT BILL (2020 DRAFT TALAB)

We comment as follows to the draft amendment bills as follows:

1. **General principal request** – We request that instead of a duty being applied all exports of ferrous scrap should be prohibited completely. Experience has shown that when there is any avenue left to export ferrous scrap, it will be used even by false declarations to export ferrous scrap and since inspecting every container by authorities seems to be impossible. However since Scaw's request does not seem to be acceptable to Government or is not possible for other reasons, we comment on the proposed amendments below.
2. 2020 Draft TLAB, Section 59, "*(e) by the insertion of the following items in Part 6 of that Schedule*":
 - a. **The same duty of R1000.00/t should apply to all items under heading 72.04 and all countries.** The table as published allows export to the EU at a duty of R500/t and to the EFTA and SADC countries free of duty. We believe that this will again allow the exporters to circumvent the intention and avoid the duty by simply exporting the ferrous scrap through those countries to India or China. An example is that Mauritius is a member of the SADC and we understand that Aluminium scrap is presently being exported to Mauritius and then to India. The same will happen to the ferrous scrap once the duty is imposed as published unless the duty also applies to SADC countries.
 - b. **Alternatively, if due to bilateral agreements,** RSA is prohibited from imposing a duty on the SADC countries (and others) and there is no possibility of having such amended, then we request that the current price preference system (PPS) remain in place for exports to those countries where a free duty is applicable.

- c. **In addition, to comment b**, the notes should be amended to include a **penalty duty** or some other mechanism, if it is found that the ferrous scrap is being exported to a country that is free of duty only to be further exported from there to another country on which a duty does apply. This could discourage circumvention of the duty. We propose that a duty must be paid of R1000/t and once it goods have arrived at intended destination and confirmation from shipper and end user that the goods have been consumed in this country then the duty is refunded.
- d. **The Scrap prices are determined by international indices which are Dollar based** and with the potential weakening of the Rand a R1000/t may seem appropriate at present but this will not be the case if the Rand weakens which is highly likely under present economic circumstance. There should be a mechanism for increasing such duty should the exchange rate have a detrimental impact on the intent of the duty. The Rand equivalent of 60 US\$ or R1000/t whichever is the greatest
- e. **In addition, no ferrous scrap should be containerized.** We believe that no ferrous scrap material should be containerized, and must be loaded and offloaded as Breakbulk Cargo. This will ensure the exporter do not pre pack the containers with the good quality scrap material for exportation, and offer the local consumer substandard material, this will also allow the local consumer the option to view the material when loading at the harbour.

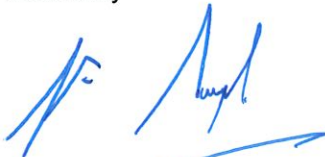
3. 2020 Draft TALAB

To extent applicable, our comments to the 2020 Draft TLAB, above should be considered.

4. Deemed VAT

VAT is vulnerable to evasion and fraud and its credit and refund mechanism does offer unique opportunities for abuse, and remains to be an urgent concern due to noncompliance. We request close scrutiny of these Scrap Suppliers to ensure compliance to the application regulations.

Yours faithfully



Lenn Swanepoel
Head Scrap Processing Division