**05 October 2020**

**Attention:**

**Committee Secretaries – Standing Committee On Finance**

**Mr. Allen Wicomb**

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**Ms Teboho Sepanya**

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**RE: SUBMISSION ON EXPORT TAX ON SCRAP METAL- 2020 DRAFT TAXATION LAWS AMENDMENT BILL (TLAB) PUBLIC HEARING**

On the 3rd of July 2020 a Trade Policy Directive was innitiated for ITAC to investigate the supply and demand imbalance of scrap metal in South Africa. It is a known fact that there is a shortage of scrap metal for input into local steel smelters in South Africa. Scrap metal is a significant resource for steel smelters. The excessive export of scrap steel is a major contributing factor to the shortage.

The proposed export tax on scrap metal as published in the DRAFT TAXATION LAWS AMENDMENT refers:

* Export Tax on Ferrious scrap (R1000/t)
* Export Tax on Aliminium Scrap (R3000/t)
* Red Metals Scrap (R8426/t)
* Other waste scrap metals (R1000/t).

1. South Africa in past few years has grown in secondary steel making that particularly only depends on ferrous scrap. Moreover a few more players are entering the market and the existing plants are in the process of increasing their capacities. There will be a big shortage in the coming years of scrap and Solidarity strongly believe it will be too late then to prohibit the scrap export completely. The South African government must take an urgent decision on encouraging the existing plants and new investors by placing embargo on scrap exports. This would be the first prize.
2. Though it seems that duties on scrap is inevitable Solidarity would suggest that DTIC must engage with customs and excise and make sure that applicable duties are properly levied otherwise it will be again become point of discussion very soon that the scrap is being illegally exported.
3. Solidarity appreciate government intervention and it really give the industry motivation to grow further without any fear of shortages of input raw material. It is critical that the duties are immediately enforced as in the current market scenario local industry is already in turmoil due to COVID and low economic growth. To compete in international market companies require scrap at low prices. The industry is currently experiencing massive job losses and the protection of workers must be top priority.
4. Recently when the minister of DTIC banned the scrap export for couple of months the industry started receiving good quality scrap in high volumes at competitive rates which allowed the industry to secure export orders from Kenya and Tanzania. It did prove local industry’s argument that all though scrap dealers claimed scrap is not available there was scrap being smuggled out of country.
5. Solidarity propose that taxes and levies that are collected on scrap metal exports should be ring fenced for general local steel industry support. The taxation and duties on scrap exports should be reviewed on a regular basis to match market conditions

Yours faithfully

Marius Croucamp

Deputy General Secretary: Strategy

Solidarity

Strategic Institute