Textile import duties cut in state drive to help industry

By Mathabo le Roux

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The Department of Trade and Industry has started to make good on promises to lower the input costs of strategic industries earmarked for support in the national industrial strategy.

Image: FreeDigitalPhotos.net

The South African Revenue Service promulgated a directive on Friday that import duties will be cut on a range of fabrics not made in commercial quantities in SA, to help reduce the costs for the clothing manufacturing sector.

With the duty on fabric at 22% and fabric making up as much as half of the cost of garments, the rebating of the duty has the potential to reduce the costs of locally manufactured products by about 10%, which would better position manufacturers to compete against imports.

Qualifying fabrics

Fabrics on which duties have been rebated include georgettes, chiffons, velvets, velveteens, embroidered fabric in the piece and cotton and cotton blend fabrics manufactured from yarns of different colours.

Industry representative body Clotrade has hailed the move as a win-win. Clotrade's Jack Kipling said that because most of the fabrics were not produced locally, local textile mills would not be prejudiced while some mills even stood to gain in the long term if clothing manufacturers grew market share.

Moreover, manufacturers supplying inputs into the clothing sector, such as those for buttons, zips, interlinings and packaging, would also benefit if local clothing manufacturers were able to regain market share.

There were, however, some concerns from textile manufacturers about the duty rebates.

Consequences for producers

While broadly supporting the cuts, Textile Federation (Texfed) executive director Brian Brink said the body was dissatisfied with some of the rebate provisions on fabrics in chapter 54, relating to yarn made from filaments.

The rebate provision went much further than was intended, he said, and could have unintended consequences for some fabric producers in the country.

Texfed has already registered its concern with the International Trade Administration Commission (Itac) on the issue, as well as pointing out errors in the promulgation.

Brink declined to give further details. It was also not clear how the rebates would affect textile manufacturers in the rest of the Southern African Customs Union (Sacu), or whether Sacu had been consulted on the review.

Itac chief director Siyabulela Tsengiwe confirmed that the body had received Texfed's list of concerns, and would be open to reassessing the situation.

“If there are going to be unintended consequences from the promulgation, we will relook the matter. We will have to rigorously investigate and make a recommendation to the relevant ministers if some of the duty rebates need to be amended,” he said.

Reduction over subsidisation

Clotrade asked the department for the removal of duties on fabrics, which are the biggest input cost for clothing manufacturing, to help South African firms' competitiveness. Kipling said state intervention needed to centre on cost reduction, rather than subsidisation.

“If you want to address problems such as those faced by the industry, you have to cut costs.

“Subsidies of any sort are not sustainable. We have got to seek a natural competitive advantage,” Kipling said.

Rebating the duty would also ease the working capital requirements of manufacturers, and help manufacturers to compete more effectively against imports.

Most countries exporting to SA had policies in place that allowed for the rebate of fabric on all export orders, Kipling said.

This put South African manufacturers at a distinct disadvantage, particularly in relation to imports from Mozambique, Malawi, Tanzania and Zambia, which all had duty-free access to SA on apparel.

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