



The East Africa Community Gazette Notice 2017

The measures

Preamble

The East Africa Community Council of Ministers ('Council') reviewed the East Africa Community Customs Management Act (EAC CMA) and The East Africa Community Common External Tariff (EAC CET) and approved several measures on custom duty rates, stay of application of the CET, remission of duty on goods imported for manufacture of goods and the exemption regime under the Fifth Schedule of the EAC CMA. The Sectoral Council on Trade, Industry, Finance and Investment (SCTIFI) in their meeting held on 2nd June 2017 adopted these changes which were subsequently published in the EAC Gazette Notice no. 8 of 2017 on 30th June 2017.

We have summarized notable measures contained in the EAC Gazette Notice and analysed the impact of these changes on the affected parties. The changes contained in the Gazette Notice came into force on 1st July 2017.

Title	Measure	Who would be affected	Our View
Stay of Application of the CET	<p>The EAC Council of Ministers has granted Kenya stays of application of the CET on certain items to allow Kenya apply the following rates for a period of one year:</p> <ul style="list-style-type: none"> • Liquid Petroleum Gas (LPG) cylinders at 25% instead of 0%; • Iron and steel structures of tariff codes 7308.10.00,7308.20.00,7308.40.00 and 7308.90.99 at 25% or USD 250/MT instead of 25% and those of tariff code 7308.90.91 at 25% or USD 250/MT instead of 10%; • Road tractors for semi-trailers at 25% instead of 10%; • Paper and Paperboard products at 25% instead of 10%; • Screws, bolts, nuts and rivets at 25% or USD 250/MT instead of 10%; • Leaf springs and leaves at 25% or USD 250/MT instead of 25%; • Flat rolled products of iron or non-iron alloy steel of a width of 600mm or more, cold rolled or cold reduced at 10% or USD 125/MT instead of 10%; • Assorted products of iron or non-alloy steel of tariff code 7210.30.00 at 25% or USD 250/MT instead of 25%; • Wind driven roof ventilators at 25% or USD 250/MT instead of 25%; • Other racking material at 10% or USD 125/MT instead of 10%; • Safety matches at 25% or USD 1.35/Kg instead of 50%; • Styrene acrylic at 10% instead of 0%; • Poly Vinyl Alcohol at 0% instead of 10%; • U, I or H sections of iron and steel, not further worked than hot-rolled, hot-drawn or extruded of a height of not more than 100mm at 25% or USD 250/MT instead of 0%; • Cladded flat-rolled products of iron or non-alloy steel of tariff code 7212.60.00 at 10% or USD 250/MT instead of 10%; • Worn clothing and other worn articles of tariff code 6309.00.10 at 35% or USD 0.20/Kg instead of 35% or USD 0.40/Kg; and • Rice (in the husk, husked brown, semi or wholly milled or broken) at 35% or USD 200/MT instead of 75% or USD 345/MT. <p>In addition to the above, the Council has granted Kenya a stay of application of the CET rate on garments and leather footwear manufactured in the EPZ on the 20% of the annual production allowed in the Protocol to be sold within the domestic market for one year. However, where such goods are sold in the EAC, they will attract applicable duties, levies and other charges.</p>	Manufacturers, Importers and Consumers	<p>Kenya has sufficient capacity to manufacture products such as LPG cylinders, iron and steel products, road tractors for semi-trailers, paper and paperboard products. In a bid to shield local industries from competition arising from cheap imports, Kenya applied to the EAC Council of Ministers to be granted a stay of application of the CET to enable it apply a higher import duty rate on several products which are locally manufactured. The increase in import duty on these products is expected to increase the cost of imported substitute products which will hopefully promote local production of these commodities.</p> <p>The EAC Partner States agreed in 2016 to gradually phase out the importation of second hand clothes and shoes to promote growth of the textile and leather sectors in the community. As a first step, import duty on second hand clothes was increased from 35% or USD 0.20/Kg to 35% or USD 0.40/Kg with plans to gradually increase the rate and ban importation of these commodities by 2018. However, this year Kenya applied to stay the application of the CET rate and apply USD 0.20/Kg or 35% due to lack of capacity in the textile industry to meet the local clothes and shoes demand. The lack of commitment by Kenya to follow through with the phase out plan will negatively impact the growth of the textile and leather industry in Kenya. It remains to be seen whether the other Partner States will commit to the phase out plan. The SCTIFI in their June 2017 meeting, also discussed a proposal to increase the domestic quota supply by EPZ Companies from the current 20% to 30%. However, the Council retained the 20% threshold but granted Kenya a stay of application of the CET rate on garments and footwear and apply a duty rate of 0% instead of 25%.</p> <p>Rice is a sensitive item in the EAC CET and the Council increased the duty rate from 75% or USD 200/MT to 75% or USD 345/MT in 2015 to protect local farmers from cheap imports. Kenya was granted an extension to stay the application of the CET on rice at 35% or USD 200/MT for a further period of one year. This measure is geared towards addressing the deficiency of rice in Kenya.</p>

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Duty Remission under Section 140 of the EACCMA, 2004	<p>The Council has approved remission of duty on raw materials and industrial inputs for the manufacture of goods as follows:</p> <ul style="list-style-type: none"> • Wheat grain at an import duty rate of 10% instead of 35%; • Inputs to assemble ships at an import duty rate of 0%; • Inputs for assemblers of equipment specially designed for use by disabled, blind and physically handicapped persons at a duty rate of 0%; • Raw sugar for manufacture of sugar for industrial use at a duty rate of 0% instead of 100 % or \$ 460/MT; • Raw materials and equipment used in the manufacture of textiles and footwear at a duty rate of 0%; • Iron and steel products of tariff code 7228.20.00 used for the manufacture of automobile leaf springs, bolts and nuts at a duty rate of 0% instead of 25% or \$200/MT; and • Inputs for the manufacture of filters at a duty rate of 0%. <p>The Council has further extended the stay of application of the conditions contained in legal notice no EAC/39/2013 of 30th June 2013 on duty remission for motor cycles assembly for one year. This legal notice allows for duty remission for assemblers of Completely Knocked Down Kits (CKD) motor cycles who procure or manufacture the following specified parts within the EAC; main frame, suspension, or a combination of seat and seat frame, mudguard, wheel rim, break gear and exhaust pipe.</p> <p>The Council also extended the stay of application of the conditions contained in Legal Notice No. EAC/32/2016 of 30th June 2016 on remission of sugar for industrial use. The Legal notice provided for remission at an import duty rate of 10% instead of 100 % or \$ 460/MT.</p> <p>In addition, the list of approved manufacturers and quantities of some of the products under the duty remission scheme has been included in this gazette notice. The gazetted products include: CKD kits for manufacture of motor cycles, wheat grain and inputs for manufacture of leaf springs.</p>	Gazetted manufacturers, importers and consumers.	<p>The Council has remitted import duty on several inputs used by gazetted manufacturers within Kenya to reduce their costs, promote growth of local industries and improve competitiveness of these products in the export market.</p> <p>Kenya currently imports industrial sugar under the duty remission scheme due to lack of capacity to produce the same within the EAC. However, Kenya intends to encourage refining of raw sugar through extension of tax incentives to sugar millers who invest in sugar refineries. The remission of import duty on raw sugar is expected to encourage setting up of sugar refineries in Kenya. Since industrial sugar is already covered under the import duty remission scheme, this will render industrial sugar manufactured in Kenya uncompetitive in the EAC market as the industrial sugar will attract full duties when sold within the EAC.</p> <p>The EAC has been putting in place measures aimed at promoting the cotton, textile, apparel and leather industries in the region. The remission of import duty on raw materials and equipment used in the manufacture textiles and footwear coupled with the increase in import duty on second hand clothing and footwear is a laudable move that is expected to encourage investment in the aforementioned industries.</p>
Review and modification of the EAC Common External Tariff 2012 version	<p>The Council of Ministers has reviewed and modified the EAC Common External Tariff (CET) 2012 version in conformity with the World Customs Organization (WCO) Harmonized Commodity Description and Coding System 2017.</p>	Importers, exporters	<p>The review of the EAC CET is in line with the WCO review of the Harmonized System nomenclature which happens every 5 years. The HS is reviewed to accommodate new products introduced into the market and which were previously not covered by the HS and to take into account comments and proposals forwarded to the WCO by various Customs administrations. In addition, the reviews are necessary to reflect any advances in technology or resolve issues of classification of products in previous versions of the nomenclature.</p>

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Split of HS Codes	The Council of Ministers has split the HS codes for some goods as follows:	Importers and consumers	The split of HS codes is intended to enable the user classify the products in a more accurate and concise manner and to facilitate application of different rates of import duty on items which were previously covered under the same HS code.																																																												
	<table border="1"> <thead> <tr> <th data-bbox="371 310 879 335">Description</th> <th data-bbox="884 310 1002 335">HS Code</th> <th data-bbox="1008 310 1384 335">Description</th> <th data-bbox="1389 310 1473 335">Rate</th> </tr> </thead> <tbody> <tr> <td data-bbox="371 350 879 439">Split HS code 7213.91.00 to provide a tariff line for hot rolled steel of a height of not more than 100mm</td> <td data-bbox="884 350 1002 375">7213.91.10</td> <td data-bbox="1008 350 1384 375">Of a height of not more than 100mm</td> <td data-bbox="1389 350 1473 375">0%</td> </tr> <tr> <td></td> <td data-bbox="884 436 1002 460">7213.91.90</td> <td data-bbox="1008 436 1384 460">Other</td> <td data-bbox="1389 436 1473 460">0%</td> </tr> <tr> <td data-bbox="371 493 879 550">Split HS Code 7216.31.00 to provide a tariff line for U sections, of a height of not more than 100mm</td> <td data-bbox="884 493 1002 517">7216.31.10</td> <td data-bbox="1008 493 1384 517">Of a height of not more than 100mm</td> <td data-bbox="1389 493 1473 517">0%</td> </tr> <tr> <td></td> <td data-bbox="884 559 1002 584">7216.31.90</td> <td data-bbox="1008 559 1384 584">Other</td> <td data-bbox="1389 559 1473 584">0%</td> </tr> <tr> <td data-bbox="371 616 879 674">Split HS Code 7216.32.00 to provide a tariff line for I sections of a height not more than 100mm</td> <td data-bbox="884 616 1002 641">7216.32.10</td> <td data-bbox="1008 616 1384 641">Of a height of not more than 100mm</td> <td data-bbox="1389 616 1473 641">0%</td> </tr> <tr> <td></td> <td data-bbox="884 696 1002 721">7216.32.90</td> <td data-bbox="1008 696 1384 721">Other</td> <td data-bbox="1389 696 1473 721">0%</td> </tr> <tr> <td data-bbox="371 753 879 811">Split of HS code 7216.33.00 to provide a tariff line for H sections, of a height not more than 100mm</td> <td data-bbox="884 753 1002 778">7216.33.10</td> <td data-bbox="1008 753 1384 778">Of a height of not more than 100mm</td> <td data-bbox="1389 753 1473 778">0%</td> </tr> <tr> <td></td> <td data-bbox="884 820 1002 845">7216.33.90</td> <td data-bbox="1008 820 1384 845">Other</td> <td data-bbox="1389 820 1473 845">0%</td> </tr> <tr> <td data-bbox="371 877 879 1001">Split of HS code 7216.40.00 to provide a tariff line for L or T sections, not further worked other than hot-rolled, hot-drawn or extruded, of a height not more than 100mm</td> <td data-bbox="884 877 1002 902">7216.40.10</td> <td data-bbox="1008 877 1384 902">Of a height of not more than 100mm</td> <td data-bbox="1389 877 1473 902">0%</td> </tr> <tr> <td></td> <td data-bbox="884 957 1002 982">7216.40.90</td> <td data-bbox="1008 957 1384 982">Other</td> <td data-bbox="1389 957 1473 982">0%</td> </tr> <tr> <td data-bbox="371 1033 879 1090">Split HS code 8414.80.90 to provide a tariff line for wind driven roof ventilators</td> <td data-bbox="884 1033 1002 1058">8414.80.91</td> <td data-bbox="1008 1033 1384 1058">Wind driven roof ventilators</td> <td data-bbox="1389 1033 1473 1058">25%</td> </tr> <tr> <td></td> <td data-bbox="884 1113 1002 1138">8414.80.99</td> <td data-bbox="1008 1113 1384 1138">Other</td> <td data-bbox="1389 1113 1473 1138">25%</td> </tr> <tr> <td data-bbox="371 1170 879 1228">Split HS code 9616.10.90 and provide for CET rate of 10% for trigger spray and lotion pumps</td> <td data-bbox="884 1170 1002 1195">9616.10.91</td> <td data-bbox="1008 1170 1384 1195">Trigger spray and lotion pumps</td> <td data-bbox="1389 1170 1473 1195">10%</td> </tr> <tr> <td></td> <td data-bbox="884 1245 1002 1269">9616.10.99</td> <td data-bbox="1008 1245 1384 1269">Other</td> <td data-bbox="1389 1245 1473 1269">25%</td> </tr> </tbody> </table>	Description	HS Code	Description	Rate	Split HS code 7213.91.00 to provide a tariff line for hot rolled steel of a height of not more than 100mm	7213.91.10	Of a height of not more than 100mm	0%		7213.91.90	Other	0%	Split HS Code 7216.31.00 to provide a tariff line for U sections, of a height of not more than 100mm	7216.31.10	Of a height of not more than 100mm	0%		7216.31.90	Other	0%	Split HS Code 7216.32.00 to provide a tariff line for I sections of a height not more than 100mm	7216.32.10	Of a height of not more than 100mm	0%		7216.32.90	Other	0%	Split of HS code 7216.33.00 to provide a tariff line for H sections, of a height not more than 100mm	7216.33.10	Of a height of not more than 100mm	0%		7216.33.90	Other	0%	Split of HS code 7216.40.00 to provide a tariff line for L or T sections, not further worked other than hot-rolled, hot-drawn or extruded, of a height not more than 100mm	7216.40.10	Of a height of not more than 100mm	0%		7216.40.90	Other	0%	Split HS code 8414.80.90 to provide a tariff line for wind driven roof ventilators	8414.80.91	Wind driven roof ventilators	25%		8414.80.99	Other	25%	Split HS code 9616.10.90 and provide for CET rate of 10% for trigger spray and lotion pumps	9616.10.91	Trigger spray and lotion pumps	10%		9616.10.99	Other	25%		
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Amendments to the Fifth Schedule of the EAC Customs Management Act	<p data-bbox="365 1395 1479 1452">The Council has made the following amendments to Part B (General Exemptions) of the Fifth Schedule to the EAC CMA:</p> <ul data-bbox="365 1477 1479 1679" style="list-style-type: none"> <li data-bbox="365 1477 1479 1534">Deleted electrical energy saving bulbs (compact fluorescent bulbs) and lamps and bulbs made from Light Emitting Diodes (LED); and <li data-bbox="365 1559 1479 1679">Included equipment and inputs (excluding motor vehicles), imported by a licensed company for direct and exclusive use in oil, gas or geothermal distribution upon recommendation by a competent authority of a Partner State. This exemption previously applied to equipment and inputs for use in oil, gas and geothermal exploration and development activities only. 		This measure is intended to extend the exemption granted to licensed companies carrying out oil, gas and geothermal exploration and development activities to include activities related to distribution of oil, gas and power generated from these activities. Energy saving bulbs and lamps and bulbs made from Light Emitting Diodes (LED) were previously exempted from import duty to encourage energy saving. The removal of the exemption status is likely to encourage the use of the cheaper ordinary bulbs.																																																												

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