

# Tax Alert

## East African Community Customs Gazette, 2017

### Introduction

**The EAC Gazette Notice No. 8 of 2017 (“the Gazette”) released by the East African Community (“EAC”) Secretariat on 30 June 2017 highlights changes to the East African Community Customs Management Act, 2004 (“EACCMA”) and the East African Community Common External Tariff (“EAC CET”) with effect from 1 July 2017. The Council of Ministers (“The Council”) has, through the Gazette, effected a number of changes which affect both individual EAC Partner States and the EAC region as a whole.**



August 2017

We set out below some of the key changes introduced by the Gazette.

### Changes specific to Rwanda

The following changes will affect specific imports into Rwanda:

#### Stay of application of the CET

The Council has approved various stays of application of CET duty rates on select items, effective for the one year period from 1 July 2017. These measures, effected to address specific economic needs, have a twofold effect; either an increase or a decrease in duty rates as follows:

#### Decrease in duty rates

- Flat – rolled products of iron or non-alloy of steel of HS 7208.52.00, 7208.53.00, 7208.54.00, and 7208.90.00 – duty rate decreased from 10% to 0%.
- Iron and steel products of HS 7213.99.00 – duty rate decreased from 25% to 0%.
- Iron and steel products of HS 7308.40.00 and 7213.10.00 – duty rate decreased from 25% to 10%.
- Products of iron or steel of HS 7213.20.00, 7227.10.00, 7227.20.00, 7227.90.00, 7308.20.00, 7318.15.00 and 9406.90.90 – duty rate decreased from 25% to 10%.
- Road tractors for semi trailers of HS 8701.20.90 – duty rate decreased from 10% to 0%.
- Motor vehicles for transport of goods with gross vehicle weight exceeding 5 tons but not exceeding 20 tons of HS 8704.22.90 – duty rate decreased from 25% to 10%.
- Motor vehicles for transport of goods with gross vehicle weight exceeding 20 tons of HS 8704.23.90 – duty rate decreased from 25% to 0%.
- Buses for transportation of more than 25 persons and buses for transportation of 50 persons and above – duty rate decreased from 25% to 10% and 0% respectively.



- Other tanker trailers and tanker semitrailers of HS 8716.31.90 and other trailers and semitrailers for the transport of goods of 8716.39.90 – duty rate decreased from 10% to 0%.
  - Wheat (Wheat grain) of HS 1001.99.10 and 1001.99.90 – duty rate decreased from 35% to 0%.
  - Rice in the husk, husked brown rice, semi milled or wholly milled rice and broken rice of HS 1006.10.00, 1006.20.00, 1006.30.00 and 1006.40.00 respectively – duty rate decreased from 75% or USD 345/MT to 45% or USD 345/MT.
  - Other beet sugar, other cane sugar, other sugar containing added flavouring or colouring matter and other sugar of HS 1701.12.90, 1701.14.90, 1701.91.00 and 1701.99.90 00 respectively – duty rate decreased from 100% or USD 460/MT to 25% on 70,000 MT.
  - Rwanda has been granted a stay of application of the EAC CET rate on goods imported for use by the Armed Forces Canteen Organizations.
  - Bars and rods of alloy or non-alloy steel of HS 7228.10.00, 7228.20.00, 7228.30.00, 7228.40.00, 7228.50.00, 7228.60.00, 7228.70.00 and 7228.80.00 – duty rate decreased from 25% or USD 200/MT, whichever is higher, to 10%.
  - Made up fishing nets of HS 5608.11.00 – duty rate decreased from 25% to 10%.
  - Oil and petrol filter of HS 8421.23.00 and intake air filter of HS 8421.31.00 – duty rate decreased from 25% to 10%.
  - Milk cans of HS 7612.90.90 – duty rate decreased from 25% to 10%.
  - Smart cards of HS 8523.52.00 and other (sim cards) of HS 8542.39.00 – duty rate decreased from 25% to 0%.
- Increase in duty rates**
- Worn clothing and other worn articles of HS 6309.00.10 and 6309.00.90 – duty rate increased from 35% or USD 0.40/kg to USD 2.5/Kg.
  - Worn clothing and other worn articles of HS 6309.00.20 – duty rate increased from 35% or USD 0.40/kg to USD 5/Kg.
  - Other medical appliances used in medical laboratories of HS 9018.90.00 – duty rate increased from 0% to 25%.
- Duty remission approvals**
- Remission of duty means a waiver of duty payable to Customs. The Council has approved duty remission measures in accordance with Section 140 of EACCMA and the EAC Duty Remission Regulations of 2008.
- These measures are effective for 1 year from 1 July 2017 and include:
- Full remission of duty on selected raw materials and industrial inputs imported by manufacturers in Rwanda.
  - Specific equipment used by the telecommunication sector in Rwanda will be imported at 0%.
  - 0% duty on raw materials and inputs for the manufacture of textile and footwear.
- The above measures are aimed at encouraging further growth of Rwanda's telecommunication sector and protecting local manufacturers including those in the textile industry.

The remissions above have been granted based on the following conditions; that Rwanda submits vetted manufacturers and quantities of the goods to be imported for gazettelement in accordance with Section 140 of EACCMA (in the cases of raw materials and industrial inputs for manufacture) and further, that the finished products are sold outside the EAC.

In the event that the finished products are sold in the Customs territory (EAC), such goods shall attract duties, levies and other charges provided in the EAC Common External Tariff.

### ***Changes affecting the other EAC Partner States***

The other EAC member states have introduced measures that boost manufacturing under the key sectors of textile and footwear as well as importation of wheat. The specific measures are captured below:

The Council has approved a remission of duty at 0% on textiles and related machinery spare parts and electric machines imported by Afritextile S.A in Burundi for a period of one year.

Other manufacturers granted full remission include Bakhresa Grain milling (wheat flour producer), Brarudi (beer producer), BTC (cigarette producer), Bumac (packaging materials), Imparudi (printer), among others. These measures are indicative of Burundi's intention to boost industrialisation in the country.

Manufacturers in Uganda will enjoy duty remission of between 0% to 10% on the importation of raw materials and industrial inputs for the textile, footwear, cement and food industries, among others.

The Gazette has introduced various changes including a remission of duty on importation of wheat grain at a duty rate of 10% instead of 35% amongst other measures for Tanzania.

Kenya will enjoy 25% remission of duty on wheat grain with the applicable rate being 10% instead of 35% as well as full duty remission on raw sugar for manufacture or sugar for industrial use, among others.

Similar to the Ugandan duty remission, there is a condition that the final products must be sold outside of the EAC.

## **Changes affecting the EAC as a whole**

### **Stay of conditions for remission**

#### **Motor cycle assemblers**

The Council has stayed the application of conditions contained in Legal Notice LN EAC/39/2013, pertaining to duty remission on the motor cycle assembly industry, for one more year. The Legal Notice provides for duty remission for assemblers of CKD kits who procure/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.

#### **Sugar for industrial use**

The Council has stayed the application of conditions contained in Legal Notice LN EAC/32/2016, pertaining to duty remission for sugar for industrial use, for one more year.

### **Exemptions regime**

The Council has amended the Fifth Schedule of the EACCMA by removing electrical energy saving bulbs for lighting (compact fluorescent bulbs) from the exemption schedule.

Separately, machinery and inputs imported for use in the distribution of oil, gas or geothermal have been included in the exemption schedule. The exemption was previously restricted to machinery and inputs used in oil, gas or geothermal exploration and development.

### **Split of HS codes**

Various HS Codes have been split to provide more specific classification. Specifically, some iron and steel products of HS codes 7213 and 7216 have been further classified based on the height of those products. In addition, HS 8414.80.90 has been split to provide a tariff code for wind driven roof ventilators and HS code 9616.10.90 has

been split in order to provide for a CET rate of 10% for trigger spray and lotion pumps.

### **EAC CET 2017 version comes into force**

Following the modification of the Harmonised Commodity Description and Coding System ("HS Code") Version 2012 by the World Customs Organisation, the Council has reviewed and modified the EAC Common External Tariff ("CET") into a 2017 version.

This move ensures that the EAC CET is up to date with regards to global advancement in technology and innovation.

The HS code is usually updated every five years to include new products traded internationally and not currently accommodated by existing tariff codes, remove products that are no longer traded, and to take into account the concerns and feedback from international trade players.

## **Conclusion**

This alert only highlights the key trends and changes introduced by the Gazette Notice.

**Kindly reach out to any of our experts shown below for advice on how the Gazette might impact your specific business affairs.**

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