

REPORT NO. 746

**CREATION OF A REBATE FACILITY FOR THE IMPORTATION COOKER
HOODS OF A DOMESTIC TYPE HAVING A MAXIMUM HORIZONTAL
SIDE NOT EXCEEDING 120 CM, CLASSIFIABLE UNDER TARIF
SUBHEADING 8414.60.20**

The International Trade Administration Commission herewith presents its **Report No. 746: THE CREATION OF A REBATE FACILITY FOR THE IMPORTATION OF COOKER HOODS OF A DOMESTIC TYPE HAVING A MAXIMUM HORIZONTAL SIDE NOT EXCEEDING 120 CM, CLASSIFIABLE UNDER TARIFF SUBHEADING 8414.60.20**, with recommendations.



**AYABONGA CAWE
CHIEF COMMISSIONER**

PRETORIA

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REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 746

THE CREATION OF A REBATE FACILITY FOR THE IMPORTATION OF COOKER HOODS OF A DOMESTIC TYPE HAVING A MAXIMUM HORIZONTAL SIDE NOT EXCEEDING 120 CM, CLASSIFIABLE UNDER TARIFF SUBHEADING 8414.60.20

Synopsis

Defy Appliances (Pty) Ltd (herein referred to as the “applicant” or “Defy Appliances”), applied for the creation of a temporary rebate provision for the importation of cooker hoods of a domestic type having a maximum horizontal side not exceeding 120 cm, classifiable under tariff subheading 8414.60.20. The subject products attract ordinary rate of customs duty of 15% *ad valorem*.

The International Trade Administration Commission (“ITAC” or the “Commission”) considered the application in light of all the information at its disposal. In particular, the Commission took the following factors into account:

- There is one known active manufacturer of cooker hoods in the SACU region, namely Ferre SA (Pty) Ltd. The products manufactured in the SACU region are suitable substitutes for imported cooker hoods. However, the domestic manufacturing capacity for cooker hoods is not sufficient to meet the domestic demand of the subject product;
- Remkor Technologies (Pty) Ltd, expressed willingness to supply the subject products but requires 12 to 18 months to re-establish its supply chain for inputs used in the manufacture of cooker hoods;
- The Commission considered the investment made and the employment provided by the manufacturers in the SACU region and found that retaining the existing duty

serves to support the investment and employment by cooker hood manufacturers in the SACU region;

- However, in instances where the domestic manufacturers are not able to manufacture sufficient quantities to meet domestic demand, a rebate provision is required to avoid the unnecessary cost-raising effect of the duty on consumers;
- The conditions of the rebate provision, as contained in the guidelines, rules and conditions pertaining to permits issued for the rebate provision, are intended to ensure that the rebate provision does not erode the competitiveness of domestically manufactured products against imported equivalent products, employment and investment opportunities; and
- The rebate provision will cater for the net-shortage calculated by the Commission on an annual basis, and will be issued in such quantities, at such times and subject to such conditions as the Commission may allow by specific permit, provided the subject goods are not available in the SACU market.

The Commission concluded that the creation of the rebate provision would cater for the net shortage of supply in instances where domestic manufacturers cannot meet domestic demand for the subject product.

The Commission recommended the creation a temporary rebate provision for the importation of cooker hoods of a domestic type having a maximum horizontal side not exceeding 120 cm, classifiable under tariff subheading 8414.60.20 in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the subject goods are not available in the SACU market.

Furthermore, the Commission recommended the review the rebate provision within 1 year from date of implementation to assess the performance of the domestic industry.

THE APPLICATION AND TARIFF POSITION

1. Defy Appliances (Pty) Ltd (herein referred to as the “applicant” or “Defy Appliances”), applied for the creation of a temporary rebate provision on ordinary customs duties applicable to cooker hoods of a domestic type having a maximum horizontal side not exceeding 120 cm, classifiable under tariff subheading 8414.60.20.

2. The applicant is the largest local manufacturer and distributor of domestic white good appliances in South Africa, including domestic cooker hoods.
3. The subject products under investigation are cooker hoods of a domestic type, having a maximum horizontal side not exceeding 120 cm, classifiable under tariff subheading 8414.60.20. Cooker hoods are used to remove airborne greases, odours, fumes, smoke, heat, and steam from the cooking area by extraction and filtration of the air.
4. Figure 1 below provides an illustration of the subject product:



Source: Applicant (2023)

5. The product is manufactured using fabricated metal sheeting, motors, fans, buttons, switches, insulation materials, and packaging.
6. As motivation for the application, the applicant cited, *inter alia*, the following reasons:
 - There are currently no manufacturers of cooker hoods in the Southern African Customs Union (“SACU”) region and therefore all subject products are imported;
 - Historically, Defy sourced the cooker hoods from a local manufacturer, however, the company has since discontinued the manufacture of cooker hoods, leaving Defy with no option but to import the product; and
 - The customs duty during importation of the subject product is unnecessarily high depending on which country the product is imported from.
7. The application was published in Government Gazette No. 50164 of 23 February 2024, under Notice 2332 of 2024, for a period of four (4) weeks for interested parties

to comment, as follows:

CREATION OF A TEMPORARY REBATE PROVISION FOR THE IMPORTATION OF:

“Domestic ventilating or recycling hoods incorporating a fan, whether or not fitted with filters, having a maximum horizontal side not exceeding 120 cm, classifiable in tariff subheading 8414.60.20, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the subject goods are not available in the SACU market”.

8. The existing tariff structure for the subject product is depicted in Table 1 below:

Table 1: Current tariff position for the subject product

Heading/ Sub heading	Description	Statistical Unit	Rate of Duty					
			General	EU	EFTA	SADC	MERCOSUR	AfCFTA
8414	Air or vacuum pumps, air or other gas compressors and fans; ventilating or recycling hoods incorporating a fan, whether or not fitted with filters; gas-tight biological safety cabinets, whether or not fitted with filters:							
8414.60	- Hoods having a maximum horizontal side not exceeding 120 cm:							
8414.60. 20	- Domestic type	Units	15%	Free	15%	Free	13.5%	7.5%

Source: SARS, 2024

9. The subject product attracts customs duty of 15% *ad valorem* under general and EFTA and 13.5% *ad valorem* under MERCOSUR. The World Trade Organization (WTO) bound rate for the subject product is 20% *ad valorem*.

10. The South African Revenue Service (“SARS”) provided the following description for the temporary rebate provision:

Table 2: Description of the rebate provision

Rebate Item	Tariff Heading	Rebate code	Description	Extent of Rebate
460.16	8414.60.20	TBC	Domestic ventilating or recycling hoods incorporating a fan, whether or not fitted with filters, having a maximum horizontal side not exceeding 120 cm, classifiable in tariff subheading 8414.60.20, in such quantities, at such times and subject to such conditions as the International Trade Administration Commission may allow by specific permit, provided the subject goods are not available in the SACU market.	Full duty

Source: SARS (2023)

POLICY CONSIDERATIONS

11. The subject products form part of the white goods sector and Defy Appliances sources key inputs from the downstream metal fabrication subsector.
12. According to the Steel and Metal Fabrication Masterplan (“Masterplan”), the African Continental Free Trade Area (“AfCFTA”) offers growth opportunities for the domestic manufacturers by expanding export markets. However, fabricators face challenges such as high input costs, import competition, and limited access to financing.
13. To support metal fabricators in the sector, the Masterplan proposes tariff support measures to protect the domestic industry in instances of unfair competition from imports as well as increased agility in monitoring the impact of tariffs and dealing with efforts to circumvent the objectives of the policy measures. The Masterplan further proposes a Development Fund to support fabricators, support for technology investments, skills development and participation of black industrialist in the sector.

INDUSTRY AND MARKET

14. Ferre SA (Pty) Ltd (“Ferre SA”) is the only known active manufacturer of the subject product within the SACU region. The company is wholly black-owned and has received government support for its local manufacturing activity of white goods, including cookerhoods.
15. Remkor Technologies (Pty) Ltd (“Remkor”) is a domestic manufacturer of pressed metal parts with capabilities and a history of manufacturing cooker hoods. Remkor expressed willingness to supply the subject product but submitted that it requires 12 to 18 months to re-establish its supply chain for inputs used in the manufacture of the subject product.
16. The Commission considered the investment made and the employment provided by the manufacturers in the SACU region and found that retaining the existing duty serves to support the investment and employment by cooker hood manufacturers in the SACU region.

17. The known importers of the subject product include: SMEG SA (Pty) Ltd; BSH Home Appliances (Pty) Ltd; Univa (Pty) Ltd; DK Gas Appliances (Pty) Ltd; Hisense SA Sales Holdings (Pty) Ltd; Falco domestic appliances (Pty) Ltd; and Miele SA (Pty) Ltd.
18. In 2024, over 85% of the import volumes of cooker hoods originated from Asian mainly from the People's Republic of China and Türkiye, and the remainder originated from European countries, in particular Italy and Germany.
19. Following engagements between the applicant and the known manufacturer, the applicant raised concerns on procuring cooker hoods domestically, including the potential violation of competition laws, internal policies regarding procuring products without factory audits and quality concerns. The Commission concluded that Competition law does not prohibit a dominant company, such as Defy Appliances, from procuring products from a domestic manufacturer who is also a competitor, such as Ferre SA, provided their agreement does not restrict competition either through price-fixing, market-sharing, or require local manufacturers to limit its production and the dominant firm does not act with the intention of weakening or eliminating its competitor.
20. The Commission found that suitable substitutes to the products imported by the applicant are available in the SACU market.
21. However, the Commission found that domestic demand for cooker hoods exceeds the installed capacity to manufacture the subject product. A rebate provision is necessary to cater for the net shortage that is calculated by the Commission on an annual basis.
22. The rebate provision will be subject to such conditions as the Commission may allow by specific permit, provided the subject goods are not available in the SACU market at the time of the application.
23. The conditions of the rebate provision, as contained in the guidelines, rules and conditions pertaining to permits issued for the rebate provision, are intended to ensure that the rebate provision does not erode the competitiveness of domestically manufactured products against imported equivalent products, employment and investment opportunities.

COMMENTS RECEIVED

24. Trade & Investment KwaZulu-Natal expressed its support for the creation of the rebate provision for the subject product since to its knowledge, there are currently no known manufacturers of cooker hoods in the SACU region and that current import duties have cost-raising effects on consumers.
25. The the South African Domestic Appliance Association (“SADA”) stated that to the best of their knowledge, there are no local manufacturers of cooker hoods. The majority of models are imported from the People’s Republic of China and Türkiye with a few models imported from the EU. SADA also cited that there is a manufacturer of cooker hoods for commercial types, however, these commercial type hoods do not fall within the scope of ITAC’s investigation.
26. Univa Appliances (Pty) Ltd indicated its support for the application citing that the reduction would support the potential retention of jobs and the competitiveness of selling locally produced Univa cooking products to which the cooker hoods are complementary products.
27. Remkor stated their willingness to manufacture the subject product. However, it requires time to re-establish its supply chain, and if viable, ramp up local production. It would take approximately 12-18 months to do so and indicated its support for the temporary implementation of a rebate provision.

FINDINGS

28. The Commission considered all the relevant information at its disposal. In particular, the Commission considered the following factors:
- There is one known active manufacturer of cooker hoods in the SACU region, namely Ferre SA (Pty) Ltd. The products manufactured in the SACU region are suitable substitutes for imported cooker hoods. However, the domestic manufacturing capacity for cooker hoods is not sufficient to meet the domestic demand for the subject product;

- Remkor Technologies (Pty) Ltd, expressed willingness to supply the subject products but requires 12 to 18 months to re-establish its supply chain for inputs used in the manufacture of cooker hoods;
- The Commission considered the investment made and the employment provided by the manufacturers in the SACU region and found that retaining the existing duty serves to support the investment and employment by cooker hood manufacturers in the SACU region;
- However, in instances where the domestic manufacturers are not able to manufacture sufficient quantities to meet domestic demand, a rebate provision is required to avoid the unnecessary cost-raising effect of the duty;
- The conditions of the rebate provision, as contained in the guidelines, rules and conditions pertaining to permits issued for the rebate provision, are intended to ensure that the rebate provision does not erode the competitiveness of domestically manufactured products against imported equivalent products, employment and investment opportunities; and
- The rebate provision will cater for the net-shortage calculated by the Commission on an annual basis, and will be issued in such quantities, at such times and subject to such conditions as the Commission may allow by specific permit, provided the subject goods are not available in the SACU market.

RECOMMENDATION

29. The Commission recommended the creation a temporary rebate provision for the importation of cooker hoods of a domestic type having a maximum horizontal side not exceeding 120 cm, classifiable under tariff subheading 8414.60.20 in such quantities, at such times and subject to such conditions as the Commission may allow by specific permit, provided the subject goods are not available in the SACU market.

30. Furthermore, the Commission recommended the review of the rebate provision within one (1) year from the date of its implementation to assess the performance of the domestic industry.