

Customs and Excise Act, 1964: Amendment of Schedule No.6 (Rebates)

By **Sipho Mhaga**
Customs & Excise Specialist



Customs and Excise Act, 1964: Amendment of Schedule No.6 (Rebates)

The Finance Minister in his budget speech in February 2023 announced the extension of the “Diesel Refund Regime” to include purchase and use of diesel fuel in the manufacture of foodstuffs. In order to implement the extension changes have been proposed to section 75 of the Customs and Excise Act, 1964, Part 3 of Schedule No.6 (rebate Item 670.05) to the said Act, **with retrospective effect from 1 April 2023 up to and including 31 March 2025.**

The diesel product referred to excludes the following:

- “Smokeless diesel”, which is a mixture of kerosene (IP) and a lubricity agent, normally used in underground mines.
- Any mixture of diesel with kerosene (**considered illegal/adulteration**) or any other substance except biodiesel.
- Any diesel entered for export or ships stores or in terms of any other procedure (other schedule6 refunds or per s75) except for home consumption or on which the levies are not paid as contemplated in this definition.

The diesel should be used in *stationary fixed electric power generators*, and this excludes mobile portable electric power generators.

The qualifying foodstuffs are those products and preparations for human consumption, classifiable in Chapters 2 to 21 of Schedule No.1 Part 1 with the rebate being a Full Road Accident Fund levy. Beverage products of Chapter 22 are excluded.

Also excluded from the scheme are products and preparations for making beverages classifiable in any of the tariff subheadings included under Schedule No.1 (Section A of Part 7) goods of Chapter 5 (products of animal origin, not elsewhere specified or included). Chapter 6 (live trees and other plants; bulbs, roots, and the like; cut flowers and ornamental foliage) chapter 13 (lac; gums, resins and other vegetable saps and extracts) and chapter 14 (vegetable plaiting materials; vegetable products not elsewhere specified or included).

A logbook needs to be maintained for the regular periodic recording all activities and occurrences that impact the validity of refund claims. They must provide a full audit trail of diesel usage for which refunds are claimed. Storage logbooks must reflect details of the receipt, storage, removal, disposal, or loss of diesel. Usage logbooks must reflect details of the source/supplier and usage of diesel for the manufacture of foodstuffs or other activities.

The schedule list the various activities for the foodstuffs for commercial gain through the performance of industrial operations by the refund user at the manufacturing premises. It should be noted that the Commissioner in his discretion determines the qualifying activities. They however exclude activities specified in Note 6 which are eligible for a refund contemplated in item 670.04 read with section 75 (1A) and (4A): (diesel for use in the primary sectors such as mining, forestry, offshore mining, railway, agriculture, etc.).

Other exclusions are premises with publicly accessible portion of the trading area for wholesale or retail sales outlet activities comprises more than 10 per cent of the total floor surface of the business premises, also where only the wholesale or retail distribution or sales of goods occur.

Registration for a diesel refund regime is required and also the applicant must be a registered vendor and comply with invoice issuing and record keeping.



By **Siphon Mhaga**
Customs & Excise Specialist

