

South Africa | Indirect Tax | Customs & Global Trade | 23 February 2017



Excise *Smart*

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Indirect Tax

Perspective ⇒ everything



This edition of *Excise Smart* informs of the implications for Excise of the taxation proposals tabled in Parliament by the Minister of Finance yesterday.

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2017 National Budget Implications for Excise

[Introduction](#)

On Wednesday, 22 February 2017, [Schedule 1 Part 2A](#) of the Customs and Excise Act was amended. The amendments became effective at exactly 14:32 yesterday (unless indicated otherwise) when the taxation proposals were tabled in Parliament.

This newsletter highlights some of the more pertinent aspects of those amended legislative provisions relating to Excise.

1. Changes to Previous Provisions

Note that simplified (own wording) product classifications are often used below; you are advised to refer to the official product classifications and rates, published by the South African Revenue Service, when classifying products and applying rates.

❖ Fuel

The Fuel Levy rate will increase, on 5 April 2017, by 30c per liter (the same as last year's increase). This increase will bring the general fuel levy rates to the following:

Petrol	R3.15 / liter
Diesel	R3.00 / liter
Bio-Diesel	R1.50 / liter <i>(note that this rate is subject to confirmation)</i>

Government proposed that, subject to consultation leading up to the 2018 National Budget, the zero-rating on fuel be removed. In order to mitigate the probable effect on transport costs, government will consider combining this change with either a freeze or a decrease in the fuel levy rate.

The RAF Levy rate will increase, also on 5 April 2017, by 9c (to R1.63) per liter.

❖ Un-Denatured Ethyl Alcohol

The new rates of Excise Duty for un-denatured ethyl alcohol products are:

Brandies - <i>Pot Still Brandy and Vintage Brandy</i>	
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<i>of Tariff Items 104.23.01 and 104.23.03</i>	R149.23 / LAA
<i>Other ("Ordinary" Brandy) of Tariff Items 104.23.02 and 104.23.04</i>	R175.19 / LAA
Whisky, Rum, Cane, Gin and Vodka	R175.19 / LAA
Liqueurs and Cordials - <i>15 to 23 per cent A/V and produced from wine spirits or a specified combination of distilled spirits and fermented spirits</i>	R 71.82 / LAA
<i>Other</i>	R175.19 / LAA
Other <i>(e.g. un-blended spirits, partially de-natured and other spirits obtained under rebate of duty but not applied in accordance with the provisions of the relevant rebate item, as well as spirits not classifiable under any of the above categories)</i>	R175.19 / LAA

Regarding Brandy, importers and manufacturers are advised to only declare their product under the lower of the two rates once they are sure that their product qualifies as either a "pot still brandy" or a "vintage brandy" as defined in the Liquor Products Act; if not, the brandy should be declared as (ordinary) brandy at the normal / higher of the two rates.

❖ Fermented Beverages

The new rates of Excise Duty for fermented beverages are:

Wine of Fresh Grapes and Vermouth / Flavoured Wine

Unfortified - <i>4.5 to 16.5 per cent A/V (Wine) 4.5 to 15 per cent A/V (Vermouth)</i>	R 3.61 / liter
Fortified - <i>15 to 22 per cent A/V</i>	R 6.17 / liter <i>(note that this rate was erroneously published by SARS as R6-71; SARS</i>

	<i>confirmed that this error will be corrected soon)</i>
Sparkling	R 11.46 / liter
Other <i>(e.g. wine or vermouth obtained under rebate of duty but not applied in accordance with the provisions of the relevant rebate item, as well as wine or vermouth not classifiable under any of the above categories)</i>	R175.19 / LAA

Note that the maximum allowed alcohol content for unfortified “*Wine of Fresh Grapes*” (16.5 per cent) differs to that of unfortified “*Vermouth / Flavoured Wine*” (15 per cent).

Other Fermented Beverages (“OFBs”)

Unfortified - <i>0.5 to 15 per cent A/V</i>	R 86.39 / LAA
Fortified - <i>15 to 23 per cent A/V</i>	R 71.82 / LAA
Sparkling	R 11.46 / liter
Other <i>(e.g. OFBs obtained under rebate of duty but not applied in accordance with the provisions of the relevant rebate item, as well as OFBs not classifiable under any of the above categories)</i>	R175.19 / LAA

❖ **Malt Beer**

The Excise Duty on malt beer was increased to R86.39 / LAA.

❖ **Traditional African Beer**

The rates of Excise Duty for Traditional African Beer products remained unchanged at:

Traditional African Beer (Powder)	R0.3470 / kg

Traditional African Beer	R0.0782 / liter
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❖ Tobacco Products

The new rates of Excise Duty for tobacco products are:

Cigarettes and substitutes	R 7.15 / 10 cigarettes
Cigarette tobacco and substitutes	R 321.45 / kg
Cigars	R3 298.56 / kg net
Pipe tobacco	R 182.24 / kg net

2. Proposed New Taxes

❖ Sugar Tax

In February 2016 Government proposed that a tax on sugary beverages be implemented on 1 April 2017. Over the past year, the National Treasury published a draft policy paper and consulted with industry associations and other interested parties on the possible implementation of this tax.

Following that process, the below aspects of this proposed tax have been revised and are currently proposed to be as follow:

- A broader World Health Organisation definition will be applied to cover both intrinsic and added sugars in sugary beverages (i.e. all non-alcoholic beverages containing caloric sugar, including fruit juices).
- The tax amount will be calculated per gram of sugar in excess of 4 grams / 100ml contained in the beverage at a rate of -
 - 2.1c / gram for ready-to-drink beverages; and
 - 50 per cent of that rate for concentrates.
- Some of the revenue will be used to support health-promotion interventions as part of a strategy to fight non-communicable diseases.

Government yesterday announced that this tax will be implemented as soon as the necessary legislation is approved by Parliament and signed by the President.

❖ **Carbon Tax**

The proposed carbon tax and the date of implementation will be considered further in Parliament this year.

The main aim of this tax is to put a price on the environmental and economic damages caused by excessive emissions of greenhouse gases. A secondary aim is to change the behaviour of firms and consumers, encouraging them to use cleaner technology.

3. **General**

❖ **Disclosure of Trade Statistics**

It is proposed that the current legal authorisation for the sharing of trade statistics with (and presumably between) organs of the State be reviewed for its appropriateness and possible amendment.



Deloitte Contacts

Should you require further clarification or assistance regarding:
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- the above, please contact Pieter Marais at pmarais@deloitte.co.za; and
- Customs and Excise matters in general, please contact any of us at the numbers and / or addresses below.

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