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Excise *Smart*

Indirect Tax | Customs & Global Trade

Indirect Tax

Perspective ⇒ everything



This edition of Excise *Smart* informs importers and local manufacturers of non-alcoholic beverages of the latest on the possible implementation of the Health Promotion Levy (“**Sugar Tax**”).

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Sugar Tax Update

Background

The Sugar Tax was initially announced to be implemented in South Africa, from 1 April 2017, as a tax on most non-alcoholic beverages containing added caloric sweeteners / sugar.

In February 2017 the National Treasury ("NT") published, for comment, a proposed new structure for this tax; i.e. after consulting with various role-players in both the sugar and non-alcoholic beverage industries, as well as with the Department of Health, health practitioners and related NGOs and organised labour, in order to find the most suitable and acceptable structure for this proposed tax.

In June 2017 the NT and the South African Revenue Service ("SARS") published a response document based on those comments received and on the outcome of Parliamentary hearings.

Current Proposed Structure

The abovementioned response document of the NT and SARS sheds some light on the currently proposed structure for this tax; i.e.

Scope

The Sugar Tax is currently proposed to be implemented -

- ❖ as a product-specific levy on non-alcoholic beverages (ready-to-drink beverages and concentrates in both powder- and liquid form);
- ❖ containing any sweetener (caloric and non-caloric; intrinsic and added); and
- ❖ consumed in South Africa (this levy will not be applicable to any of the other four Southern African Customs Union countries).

100% pure fruit juices and vegetable juices as well as unsweetened milk and such milk products are currently excluded.

Tax Rate and Exemption Threshold

The levy payable will be calculated on a specific taxable quantity (as opposed to value / ad valorem); i.e.

- ❖ Per gram of sweetener contained in the beverage, but only on those grams above a 4 gram / 100 ml exemption threshold; and
- ❖ At a rate of -
 - Ready-to-Drink Beverages:
@ 2.10c per gram of sweetener (above 4 grams / 100ml)
= R1.26 / liter containing 100 grams of sweetener
 - Concentrates:
@ 1.05c per gram of sweetener (above 4 grams / 100ml)
(the actual levy-cost per liter consumed depends on the dilution factor)

Deloitte had earlier proposed that importers and local manufacturers of beverages with sweetener content of up to or less than the specified threshold should be *exempted from all traditional Customs and Excise compliance requirements* (including exemption from licensing and, of course, from paying this levy).

The NT and SARS response document states that 'products with sugar content below the threshold will not be affected'; it is not clear whether 'not affected' means not having to license as an importer or manufacturer or only not having to pay the levy.

The NT clearly states that ‘... rate increases should at least account for inflation over time. If the rate, like other excise rates, is not adjusted for inflation, the real effective rate will be eroded over time.’.

Administration

The levy will be regulated in terms of the Customs and Excise Act, 1964, and administered similar to the other preventive levies currently overseen by Excise; e.g.

- ❖ Imported into or locally manufactured in bonded licensed warehouses;
- ❖ Compulsory accounting and periodic submission of Excise accounts for locally manufactured product; and
- ❖ Self-assessment and payment of the levy in terms of the Duty at Source principles.

Possible Implementation Date



After recent negotiations between Government, Labour and Industry, *Matthew Parks* from the Congress of South African Trade Unions (Cosatu) was quoted in *News24* to have said that it is quite clear that the implementation of this tax will go ahead; possibly later this year but probably only in March 2018.

Importers and, especially, local manufacturers of those affected non-alcoholic beverages are still waiting for the publication, for comment, of the all-important governing rules by the Commissioner for SARS which should provide a clearer picture regarding the administration of and compliance requirements for this proposed tax; e.g. requirements for -

- Licensing of premises as manufacturing or storage warehouses;
- Surety amounts;
- Levy-accounting and -payment.

Deloitte will keep you updated on any development in this regard as soon as those rules are published by SARS.



Deloitte Contacts

Should you require further clarification or assistance regarding:

- 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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