



## **ExciseSmart** Global Trade Advisory



This edition of *ExciseSmart* informs importers and local manufacturers of non-alcoholic beverages of the latest developments pertaining to the imminent implementation of the Health Promotion Levy ("**Sugar Tax**").

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## **Sugar Tax Products, Warehousing and Accounting**

### **Background**

On 25 October 2017 the Minister of Finance introduced, during his mid-term budget policy statement, amendments to the Customs and Excise Act, 91 of 1964 ("the Act"), to enable the implementation of Sugar Tax.

The enabling legislation will come into operation, and the levy will therefore be implemented, with effect from **1 April 2018**.

A first set of governing rules and the relevant forms to be used by prospective licensees have been published by SARS, for comment by 30 November 2017.

Deloitte have studied the mentioned legislation, rules and forms and (in this document) provide our interpretation, and comment on the possible implications, thereof.

## Products

The levy will be assessed, at the rate of 2.1c per gram of the sugar content that exceeds 4 grams per 100ml, on all products classifiable under -

- Tariff Heading 22.02, being other sweetened or flavoured waters, whether containing fruit juice or whether based on milk (note that 100% fruit juice and unflavoured milk do not reside under Tariff Heading 22.02); and
- Specified preparations, for making sweet beverages, such as -
  - those based on cocoa, of heading 18.06;
  - those based on milk, of heading 19.01: and
  - syrups and concentrates, of heading 21.06.

## Warehousing

Upon enquiry by Deloitte, SARS informed that only manufacturing warehouses are envisaged to be allowed for this levy; i.e. no export specific warehouses.

Deloitte challenged this statement because of, and based on, the following -

- ❖ It is common practice, and currently allowed, for role-players in the beverage supply-chain (e.g. supermarket groups) to license export specific warehouses for supply of their *liquor* products to stores outside South Africa; this supply-chain requirement will in future also apply to their *sugar tax* products;
- ❖ If export specific warehouses are not allowed for this levy, the question arises how the levy on quantities exported by those 3<sup>rd</sup> party exporters, assessed at source upon removal ex the manufacturing warehouse, will be refunded / set-off; and
- ❖ Existing rules, made applicable to this levy, do cater for the licensing of such export specific warehouses.

Deloitte is still waiting for SARS' response to this concern and will comment on this matter, as indicated below.

## Product Accounting and Levy Assessment

The newly published Levy Account shows that these products will be accounted for, and the applicable levy assessed, in the following manner:

- No formal accounting for opening stock, production, receipts or closing stock; only for ex warehouse removals; and
- Upfront assessment of the levy on all removals from the manufacturing warehouse, with provision for the following deductions from those removals; ultimately, from the amount payable:
  - *vis major* (extra-ordinary and beyond the control of the licensee) losses;
  - quantities used in the manufacture, by reprocessing, of health promotion levy or other goods;
  - quantities removed to a consignee in a BLNS country;
  - quantities removed to a consignee outside the SACU / exported;
  - quantities, found to be off-specification, returned to the manufacturing warehouse, within a 6-month period after initial ex warehouse removal, for reprocessing; and (details of the following still to be confirmed by SARS)
  - quantities returned to the manufacturing warehouse, within a 6-month period after initial ex warehouse removal, for any reason and / or purpose.

## Way Forward

Deloitte will keep pressing SARS for clarification of these issues and keep you updated on all new developments and any possible confirmations received from SARS in this regard.

We invite interested parties to forward any comments and / or concerns regarding the proposed administration of this levy to us; i.e. preferably by latest 27 November 2017. We will then consolidate those comments and submit to SARS by 30 November 2017.

## Contact

Should you require clarification of any of the information provided in this edition of *ExciseSmart*, kindly contact Pieter Marais at [pmarais@deloitte.co.za](mailto:pmarais@deloitte.co.za) or on 082 311 7901.

## Deloitte Contacts

Should you require assistance with Customs and Excise matters in general, kindly contact any of us at the addresses and / or numbers below.

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Back to top



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