

Beer Association lobbies for excise tax relief

The Beer Association of South Africa (Basa) made a presentation to Parliament's Standing Committee on Finance on Tuesday detailing its opposition to above-inflation increases in excise taxes. This is the first of a number of engagements Basa plans to hold with the government in the lead up to next year's Budget Speech.



Source: [Pexels](#)

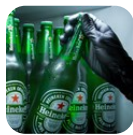
Its submission, during public hearings on the 2021 Draft Tax Bills, focused on the negative impact of above-inflation increases on the beer industry, which has already been devastated by the Covid-19 lockdown and the four alcohol bans that have been enforced over the past 17 months.

The over 200 craft breweries have been particularly hard hit by the bans, with 30% being forced to shut their doors permanently. Basa also made the case for products with low alcohol by volume (ABV), like beer, not being taxed the same as other alcohol products with higher ABV.

Distinctions between low and high ABV beverages

One of the main functions of excise duties is to discourage the consumption of harmful products. Basa has therefore argued in its submission that there needs to be a distinction between beer as an alcohol beverage with a low ABV of 2.8 to 6% alcohol versus other alcoholic beverages with higher ABV's. The beer industry has also demonstrated intent to further reduce the alcohol content in its products through the introduction of no and low-alcohol beers, Basa said.

The association pointed out that it is also common practice in many other countries to regulate alcohol beverages based on the beverage type and alcohol strength. "For example in many OECD countries spirits are taxed higher than beer in terms of the excise per litre of pure alcohol including Australia, Canada, Denmark, Finland, France, Iceland, Ireland, Israel, Mexico, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom," it said.



Looking back on a year of lockdown

Gerrit van Loo, Heineken South Africa 29 Mar 2021



When it comes to excise taxes as a revenue stream for government, Basa also highlighted that over the past five years the year-on-year increases in excise duties have been far higher than the inflation rate – a cumulative variance of 17.23% – which goes against government's own excise policy guidelines.

This has had a negative impact on investor sentiment, Basa said, with Heineken South Africa halting plans to invest R6bn into the construction of a new plant in KwaZulu-Natal and South African Breweries deciding not to invest in a R5bn production plant in South Africa.

These above-inflation increases are also ultimately absorbed by the consumer. "As a result, citizens who find legal products too expensive, purchase cheaper illicit products which are not only harmful to their health but also to the fiscus. The illicit market already accounts for 22% of all alcohol sales and has been boosted further by the four alcohol bans since the lockdown started in March last year resulting in an R11,3bn fiscal loss," Basa stated.

SMMEs left in the lurch

The beer industry also includes over 200 smaller craft brewers, who have received zero financial relief from government despite being forced to close down for 161 days since March last year. Within the current tax legislation, small medium and micro enterprises (SMMEs) are not sufficiently recognised or provided with relief in relation to excise duties in order to encourage growth and job creation in this sector.

Basa believes that craft brewers should be provided with a degree of excise relief. Larger corporates in the industry should also be incentivised through tax relief to support and develop the craft brewing sector as a key job creator, it said.



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Zoleka Lisa 13 Aug 2021



In order to ensure the long-term survival of the beer industry, which supports over 450,000 livelihoods, Basa is calling on government to consider either maintaining the current excise duty rate or a below inflationary increase in next year's Budget Speech.

Basa said it will be writing to the Minister of Finance Enoch Godongwana to request a meeting to discuss the negative impact of excise taxes and new tax regulations which recognise lower alcohol products as well as incentivises the growth of SMMEs like craft brewers.