

Beer association calls for more uniform excise tax regime

The Beer Association of South Africa (Basa) is lobbying for a more uniform tax regime within the alcohol industry and has made a submission to the National Treasury and the South African Revenue Service (Sars) on the 2022 Draft Rates Bill and the 2022 Draft Taxation Laws Amendment Bill.



Source: [Pexels](#)

The submission was made on behalf of Basa members, the Craft Breweries Association of South Africa, Heineken South Africa and South African Breweries and is the first of a number of planned engagements and submissions in the lead-up to next year's budget speech when the excise duties for the 2023/2024 financial year will be announced.

The submission focuses on the current and historic factors that have contributed to what Basa deems a disparity in the application of excise duties within the alcohol industry and, which it says has disadvantaged the beer industry in particular. "Basa is therefore appealing to government to redress these disparities in order to create a more uniform tax regime within the alcohol industry," says Basa CEO Patricia Pillay.

The submission highlights the significant economic impact made by the beer industry on the whole South Africa economy. The industry sustains 249,000 jobs, or 1 in every 66 jobs nationwide. The sector also contributed R71bn in gross value added (GVA) to South Africa's Gross Domestic Product (GDP) in 2020, or R1 for every R79 of the country's GDP is attributable to beer-related economic activity. This means the beer industry makes up roughly 1.3% of the country's GDP.



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ABV content

Pillay notes that beer (at 5% ABV) has the lowest alcohol level when compared to other alcoholic products. "On top of this, the beer industry has also demonstrated meaningful intent to further reduce the alcohol content in its products through the introduction of no and low-alcohol beers," she adds.

She says that despite beer's reduced ABV content compared to other products and the major economic impact of the sector's value chain, beer has "suffered serious bias" with regard to excise duties, while other products, in particular wine, have been advantaged. This is most evident in two areas, Pillay goes on to explain.

"First, while beer is taxed at an excise duty based on the LAA/ABV, wine is taxed at a rate based on litres irrespective of the ABV. This means that the excise duty liability for wine remains at R4.96 irrespective of the ABV, which ranges between 4.5% and 14%. In contrast, the excise duty liability for beer is based on the ABV calculated at a rate of R121.41 per litre absolute alcohol.

"This disadvantage becomes apparent on beer products above 4.5% ABV with the highest prejudice experienced by the craft beer sector where beer ABV is generally around 7%. At this point, beer is taxed R3.54 more than wine with the same ABV.

"Second, while excise duties are currently intended to be a consumption tax, wine is also at a distinct advantage in light of excise duties on beer being due within an average 4.5 months prior to consumption, whereas the duties for wine are due within an average 36 months to actual consumption, since wine is able to be consumed and often best consumed after considerable ageing. The same advantage is also enjoyed by most spirit products."



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24 Feb 2022



Proposals tabled

In order to promote consistency within the current excise regime governing the alcohol industry while also differentiating between products, Basa's submission has put forward two proposals:

The application of a LAA/ABV excise duty system for all excisable alcohol products, which means products with a lower ABV are taxed proportionally lower than products with a higher ABV.

Excise duty payment terms of 30/60 days to be uniformly applied for all excisable alcohol products. This would see all product, no matter their shelf life, paying 50% duties within 30 days and 50% within 60 days. This would ensure a constant flow of revenue to the fiscus and reduce the disparity in the alcohol industry.

According to Basa, its submission highlights that the application of a LAA/ABV excise duty system has been recognised by the World Health Organisation as the best model for improving public health outcomes as it encourages consumers to purchase lower-strength products. This taxation model has also been adopted by a number of countries including Australia, Canada, Denmark, Finland, France, Iceland, Ireland, Israel, Mexico, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

Pillay states that Basa's proposals are "aimed at ensuring the sustainable and inclusive growth of the industry, which plays a vital role when it comes to job creation and economic growth in South Africa. If implemented, the lower taxation of lower ABV products will also contribute to a reduction of alcohol harms in communities."

As part of its engagements over the coming months, Basa will also be writing to Finance Minister Enoch Godongwana to request a meeting to discuss these proposals.

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