

EXCISE

EXTERNAL POLICY

OTHER FERMENTED BEVERAGES

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1 SUMMARY OF MAIN POINTS

- a) This policy applies to role-players in the Other Fermented Beverages (OFB) Industry.
- b) This policy does not cover:
 - i) Customs and Excise Payments as this is dealt with in document BP-02;
 - ii) Declaration/account submission via eFiling as this is dealt with in document SE-AM-19-M01;
 - iii) Prescribed Payment Terms/Periods as this is dealt with in document SE-AM-21;
 - iv) Accounting for Duty/Levy as this is dealt with in document SE-CL-06;
 - v) Clearance Declarations as this is dealt with in document SE-CL-10;
 - vi) Submission of Accounts>Returns as this is dealt with in document SE-CL-12;
 - vii) Wine and Vermouth from fresh grapes as this is dealt with in document SE-DT-04;
 - viii) Licensing and Registration requirements as these are dealt with in documents SE-FS-02 and SE-FS-21 respectively;
 - ix) Bonds as this is dealt with in document SE-FS-05;
 - x) Guide to Excise Duties Levies and Air Passenger Tax as this is dealt with in document SE-FS-09-G01; and
 - xi) Refunds as these are dealt with in document SE-FS-19.

2 POLICY

- a) This policy must be read together with the Constitution of the Republic of South Africa, the South African Revenue Service Act, 1997 ("SARS Act"), the Tax Administration Act, 2007 ("TAACT") and any other applicable legislation. Should the policy be in conflict with any provisions of the legislation, the applicable Act shall take precedence.

2.1 Section 47

- a) Every manufacturer or importer of an alcoholic beverage shall, irrespective of any existing tariff determination at the time Section 47(9)(a)(iv) came into operation, apply for a tariff determination of that beverage in terms of this Section.
- b) An application for a tariff determination must comply with the provisions of Section 47 and must contain inter alia the following:
 - i) Detailed information of the brand name, process of manufacture, the ingredients used, the proportion in which they are used, the alcoholic strength and such other particulars as the Commissioner may specify; and
 - ii) If applicable, a letter from the administering officer referred to in section 3 of the Liquor Products Act, 1989 (Act No. 60 of 1989), confirming that the alcoholic beverage complies with that Act.
- c) From 1 April 2015, Section 47(9)(a)(iv) is operational and an application for a tariff determination must be made for an alcoholic beverage:
 - i) Before release of a clearance for home consumption of the first importation; or
 - ii) Before removal from the Excise manufacturing warehouse for any purpose in terms of this Act, as may be applicable in respect of that alcoholic beverage.
- d) The Commissioner may, for the purposes of implementation of Section 47(9)(a)(iv), by rule—
 - i) Specify a period after the date this Section comes into operation within which and the order in which an application for a tariff determination in respect of any class or kind of alcoholic beverage manufactured or imported shall be submitted; and
 - ii) Prescribe any other matter as contemplated in Section 47(13).
- e) If, for any alcoholic beverage, the brand name, process of manufacture, any ingredient or the proportion in which it is used, or the alcoholic strength changes, application for a new tariff determination shall be made before release of a clearance for home consumption or before removal from the excise manufacturing warehouse for any purpose in terms of the Act, as may be applicable in respect of that alcoholic beverage.

- f) Section 47(9)(a)(iv) may not be read as preventing any officer from performing any function contemplated in Section 106 of the Act.

2.2 Liability for duty

- a) Other Fermented Beverages are liable to payment of Excise duty in South Africa.
- b) Other Fermented Beverages are alcoholic beverages obtained from the fermentation (with or without the addition of sugar or yeast, artificially flavoured or not) of fruit juices/products other than fresh grapes; e.g. cider, perry, mead, herb beer, pineapple beer, ginger beer.
- c) Other Fermented Beverages include:
- i) Alcoholic beverages obtained from the fermentation (with or without the addition of sugar or yeast, artificially flavoured or not) of fruit juices/products other than fresh grapes; e.g. cider, perry, mead, raisin wine, "malton", spruce, saké (rice wine), palm wine, herb beer, pineapple beer, ginger beer;
 - ii) Mixtures of any of these products; and
 - iii) Mixtures of any of these products or wine from fresh grapes with any non-alcoholic beverage.

2.3 Types of warehouses allowed in the OFB industry:

2.3.1 Special Manufacturing Warehouse (SVM) in which the following activities and movements may take place

- a) Manufacture of OFB.
- b) Duty paid removals to the local market.
- c) Bonded removals to other Customs & Excise warehouses.
- d) Exports.
- e) Rebated removals.

2.3.2 Storage Warehouse (OS) in which the following activities and movements may take place

- a) Duty paid removals to the local market (excluding OS warehouses for third parties).
- b) Bonded removals to another OS and SOS.
- c) Exports.
- d) Rebated removals.

2.3.3 Special Storage Warehouse (SOS) for export

- a) Exporters of OFB may apply for a SOS license. The license will enable the licensee to receive and export bonded OFB under duty suspension.
- b) The following activities and movements may take place in a SOS licensed for export only:
 - i) Exports; and
 - ii) Rebated removals.
- c) Other Fermented Beverages warehoused in a SOS may not be removed to the local Southern African Customs Union (SACU) market for duty paid use/return to a SVM or owner of the OFB without written approval from the Commissioner of SARS. For any consignment or part thereof that must be removed to the local market or returned to the sending warehouse (normally a SVM), permission has to be obtained from the Commissioner, stating the quantity to be returned as well as reason(s) for such return.

- d) Products stored in such warehouses are intended solely for export/eventual consumption outside SACU. This implies that these warehouses cannot be used for storage purposes.

2.3.4 Special Storage Warehouse (SOS) licensed as a Duty Free Shop and/or Ship/Aircraft Chandler

- a) Owners of Duty Free Shops and companies supplying products for ships/ aircraft chandlers may apply for the licensing of a SOS.
- b) The following activities and movements may take place in a SOS warehouse licensed as a Duty Free Shop and/or Ship/Aircraft Chandler:
- i) Duty free sales to diplomats and other diplomatic personnel; to foreign-going travellers; and, as stores for foreign-going ships and aircraft;
 - ii) Bonded removals to another SOS licensed as Duty Free Shops and/or Ships/Aircraft Chandlers;
 - iii) Exports; and
 - iv) Rebated removals.
- c) OFB warehoused in a SOS may not (without written approval from the Commissioner for SARS) be removed to the local SACU market for duty paid use/consumption as OFB. Products stored in such warehouses are intended solely for export/eventual consumption outside SACU.

2.4 Production of OFB

- a) The production of OFB for commercial sale may include production processes and operations such as natural fermentation, fortification, carbonation, blending or mixing, maturation, filtration, stabilisation and bottling of the product.
- b) In terms of Section 44(2), OFB becomes excisable when it attains its essential character which is when the product has fermented naturally or when a fermented beverage is mixed with other products to an alcoholic strength of more than 0.5% alcohol per volume (A/V) and is generally accepted as drinkable/fit for human consumption.
- c) The essential character of OFB is attained before blending or mixing, filtration, stabilisation and bottling of the product.
- d) The basic raw material/product used for the manufacture of OFB is not regarded as Excisable products before fermentation. The fermentation process can be stopped by means of different forms of manipulation of the product.
- e) All such products, but with specific reference to ginger beer, not manipulated to stop the fermentation process will be deemed to be capable of fermenting to more than 0.5% A/V and will therefore be regarded by SARS as OFB.
- f) Fortified OFB is produced by increasing the alcoholic strength of unfortified (natural) OFB by means of the addition of spirits, to an alcoholic strength of at least 15.0% A/V but not exceeding 23.0% A/V. –
- i) The strength of spirits used for fortification purposes shall not be lower than 60% A/V; and
 - ii) No spirits removed to a SVM warehouse for fortification purposes may be kept unused in such warehouse for a period longer than ninety (90) days without the permission, in writing, of the Controller/Branch Manager.
- g) Other Fermented Beverages fortified to an alcoholic strength of more than 23.0% A/V will be regarded, for Excise duty purposes, as a spirituous beverage.
- h) Other OFB (e.g. sparkling OFB) is produced by increasing the excess pressure of unfortified (natural) OFB by means of natural processes or by the application of carbon dioxide (carbonation) to an excess pressure of not less than 300 kPa when kept at 20°C.

2.4.1 Restrictions

- a) Other Fermented Beverages can undergo various processes whereby alcohol (ethanol) and water is extracted in order to lower the alcohol content of such OFB or to manufacture a non-alcoholic beverage i.e. “reverse osmosis”, “nano filtration” and/or “cone spinning” etc. Approval from the Controller/Branch Manager must be obtained prior to the start of any of these processes.
- b) In terms of the Liquor Products Act, the adding of water to wine (dilution/increasing the volume) changes its essential character. The resultant product is no longer regarded as wine by SARS, but as an “Other Fermented Beverage”.
- c) OFB manufactured in South Africa is identified by an “A” registration number allocated by the Department of Agriculture whereas imported OFB is identified with a “B” registration number. This number is normally reflected on the label of the product and, if not, the full physical address and particulars of the manufacturer must be reflected on the label which will then indicate the origin thereof.
- d) An extension of the SVM must only be considered if manufacturing will take place at the extended premises and under such circumstances as deemed reasonable and necessary by the Commissioner.
- e) The following conditions must apply to an extension of a licensed SVM warehouse, if such application for extension was approved by the Controller/Branch Manager:
 - i) All removals from the licensed warehouse to the approved extension of the licensed warehouse must be done on a delivery note - register to be kept;
 - ii) All OFB movements from the licensed warehouse and the extension warehouse/premises to any other licensed Excise warehouse must be done on a DA 32 as if taking place from the licensed warehouse; and
 - iii) Only one (1) Excise account must be completed reflecting stock from the extension warehouse/premises and the licensed warehouse as well as all movements.

2.5 Keeping of records

- a) The licensee of a **SVM** must keep records of:
 - i) Raw materials received, used in the production process, and/or removed;
 - ii) Yield from raw materials;
 - iii) Production;
 - iv) Stock on hand;
 - v) Receipts of bonded product;
 - vi) Removal of bonded product;
 - vii) Removal of rebated product;
 - viii) Removal for home consumption;
 - ix) Returns of duty paid stock; and
 - x) Exports.
- b) The licensee of a **OS** must keep records of:
 - i) Stock on hand;
 - ii) Receipts of bonded product;
 - iii) Removal of bonded product;
 - iv) Removal of rebated product;
 - v) Removal for home consumption; and
 - vi) Exports.
- c) The licensee of a **SOS** must keep records of:
 - i) Stock on hand;
 - ii) Receipts of bonded product;
 - iii) Removal of bonded product;
 - iv) Removal of rebated product; and
 - v) Exports.

- d) A licensee may keep electronic records provided that it can be readily converted into paper copies and made available to SARS when required/requested.
- e) For purposes of this Act, the retention period for all Excise related documents (prescribed Customs and Excise documents as well as relevant trader's commercial and financial records) is five (5) years, subject to the provisions of Rule 60.08(2)(a)(i).

2.6 Penalties

- a) Failure to adhere to the provisions of the Act, as set out in this document, is considered an offence.
- b) Offences may render the client liable to the following, as provided for in the Act:
 - i) Monetary penalties;
 - ii) Criminal prosecution; and/or
 - iii) Suspension or cancellation of registration, license or accreditation.

2.7 Appeal against decisions

- a) In cases where clients are not satisfied with any decision taken in terms of the Customs and Excise Act, they have a right of appeal to the relevant appeal committee. The policy in this regard, as well as the process to be followed, is contained in document SC-CC-24.
- b) Should clients be unhappy with a decision of any appeal committee, their recourse will be to lodge an application for Alternative Dispute Resolution (ADR) with the relevant appeal committee. The committee will add its comments thereto and forward the application to the ADR Unit for attention. The policy in this regard, as well as the process to be followed is contained in document SC-CC-26.
- c) Should clients wish to appeal any decisions in terms of Value Added Tax (VAT) penalties, they are directed to the provisions of Sections 215 to 220 of the Tax Administration Act No. 28 of 2011 for the percentage based penalty and Section 224 of the Tax Administration Act No. 28 of 2011 for the understatement penalty. In this regard, please consult the SARS website or nearest SARS Branch Office.

2.8 Tariff determination in terms of Section 47 and the Rules thereto

- a) Rule 47.01 stipulates that in accordance with Section 47(9)(a)(iv)(ee) any alcoholic beverage that is a **first importation or new manufacture** must be submitted for tariff classification through the office of the Controller/Branch Manager at the place where that beverage is imported or manufactured before the procedures respectively specified in items (A) and (B) of that section are applied.
- b) The rules to Section 47 came into operation on **1 April 2015** and any period specified therein must be calendar months calculated from that date.
- c) Rule 47.03 stipulates that in terms of section 47(9)(a)(iv)(ff)(A), the order and periods for submissions of applications for tariff determinations in respect of Other Fermented Beverages shall be –
 - i) For which no tariff determination was issued prior to 1 April 2015 –
 - A) Entered under subheadings 2206.00.81, 2206.00.82 and 2206.00.85, after a period of eighteen (18) months, but within a period of 24 months;
 - B) Entered under subheadings 2206.00.83, 2206.00.84 and 2206.00.87, after a period of twelve (12) months, but within a period of eighteen (18) months;
 - C) Entered under subheading 2206.00.90, after a period of six (6) months, but within a period of twelve (12) months and
 - D) All other classes or kinds of alcoholic beverages not mentioned above, after a period of 24 months, but within a period of 36 months.
 - ii) Alcoholic beverages for which a tariff determination was issued 24 months or more prior to 1 April 2015, after a period of 36 months, but within a period of 48 months.
 - iii) Alcoholic beverages for which a tariff determination was issued within 24 months prior to 1 April 2015, after a period of 48 months, but within a period of sixty (60) months.

2.9 Completion of the Excise account (DA 260)

- a) The Excise account (DA 260) is the summarising document reflecting all production figures, stock figures and movements of bonded OFB, as well as the amount of Excise duty payable in respect of the accounting period.
- b) Excise accounts must be completed in full; i.e. the DA 260 with all the applicable Excise account schedules attached for that specific accounting period and type of warehouse as detailed below.
- c) All columns and boxes on the Excise account and account schedules must be completed.
- d) If any column is not required for that specific accounting period, the column must be crossed out by drawing a diagonal line across the face thereof, starting from the top left corner of the first box to the bottom right corner of the last box and writing "N/A" (Not Applicable) in the middle thereof.
- e) If there is no figure to be declared for a specific box in a column applicable for that specific accounting period, it must be indicated by declaring "0.00" in that box.
- f) If any schedule is not required for that specific accounting period, the applicable schedule does not have to be completed.
- g) A separate supporting schedule DA 260.04A (Itemised list of Non-Duty Paid Removals) must be used per removal type as indicated on the Excise account schedule DA 260.04 (Summary of Non-Duty Paid Removals).
- h) Provided that the schedule DA 260.04 (Summary of Non-Duty Paid Removals) is completed in full; and, the total for a specific removal type is declared as "0.00"; a supporting schedule DA 260.04A (Itemised list of Non-Duty Paid Removals) for that specific removal type, for that specific accounting period, will not be required.
- i) Each schedule to the Excise account also serves as a continuation sheet for that specific schedule.
- j) Licensees may elect, however, to compile a schedule of receipts/removals, approved by the local Controller/Branch Manager, listing all the relevant receipts/removals and supporting documents pertaining to the specific account schedule and attach that schedule of receipts/removals to the applicable account schedule. In this case, only the total of the schedule of receipts/removals must be reflected in the appropriate box on the prescribed Excise account schedule.
- k) The date of submission will be the date that a licensee submits a fully and properly completed EXD 01 as described above.
- l) **Special Manufacturing Warehouse (SVM) -**
 - i) All licensees of SVM warehouses must submit an EXD 01, monthly, to the local Controller/Branch Manager in whose area the warehouse is licensed.
 - ii) The Wine and Other Fermented Beverages SVM Excise account consists of the following:

DA 260	Excise Account	Summary
DA 260.01	Excise Account Schedule	Production
DA 260.02	Excise Account Schedule	Receipts from Customs and Excise Warehouses
DA 260.04	Excise Account Schedule	Summary of Non-Duty Paid Removals
DA 260.04A	Excise Account Schedule	Itemised list of Non-Duty Paid Removals. A separate supporting schedule form must be used per removal type.

m) **Storage Warehouse (OS) -**

- i) All licensees of OS warehouses approved for the storage of locally manufactured OFB must submit an EXD 01, monthly, to the local Controller/Branch Manager in whose area the warehouse is licensed.
- ii) The Wine and Other Fermented Beverages OS Excise account consists of the following:

DA 260	Excise Account	Summary
DA 260.02	Excise Account Schedule	Receipts from Customs and Excise Warehouses
DA 260.04	Excise Account Schedule	Summary of Non-Duty Paid Removals
DA 260.04A	Excise Account Schedule	Itemised list of Non-Duty Paid Removals. A separate supporting schedule form must be used per removal type.

n) **Special Storage Warehouse (SOS) licensed for export only –**

- i) All licensees of SOS warehouses licensed for export only of locally manufactured OFB must submit an EXD 01, per calendar quarter, to the local Controller/Branch Manager in whose area the warehouse is licensed.
- ii) The Wine and Other Fermented Beverages SOS Excise account consists of the following:

DA 260	Excise Account	Summary
DA 260.02	Excise Account Schedule	Receipts from Customs and Excise Warehouses
DA 260.04	Excise Account Schedule	Summary of Non-Duty Paid Removals
DA 260.04A	Excise Account Schedule	Itemised list of Non-Duty Paid Removals. A separate supporting schedule form must be used per removal type.

2.10 Assessment of Excise duty

2.10.1 Measure of dutiable quantity

- a) The dutiable quantity of and Excise duty on OFB is assessed on the total bulk volume, expressed in litres rounded to the nearest full litre (Li), of product removed to the local SACU market per accounting period. A volume of 0.49 or less must be rounded down to "0" and a volume of 0.5 or more must be rounded up to "1".
- b) For purposes of assessing the relevant Excise duty, SARS will accept the indicated quantity per container, declared on the commercial invoice, delivery note or similar document issued in relation to each batch and/or consignment of OFB removed to the local market from the SVM.
- c) It is the responsibility of the licensee to monitor and control the filling of containers to ensure that over/under filling is prevented.
- d) If it is established that there is a difference between the declared figures per container and the actual figures, Excise duty will be payable on the actual litres removed.
- e) In the case of a dispute over the alcoholic strength of the product, SARS will draw and send a sample or samples to an independent scientific laboratory for final determination.

2.10.2 Rate of duty

- a) The rate of duty to be used for the purpose of calculation of Excise duty for OFB is the relevant rate of duty in terms of Schedule 1 Part 2A at the time of clearance declaration (removal) from warehouse for local (SACU) consumption.

2.10.3 Excise duty formula for OFB

- a) Excise duty payable on OFB is calculated using the following formula:

Bulk volume (Litres) x relevant rate of duty = Excise duty payable
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2.10.4 Duty Paid transactions

- a) Removal of OFB duty paid for consumption as OFB in the SACU is allowed only from SVM and OS warehouses.
- b) No relief of duty (rebate or refund) exists for losses incurred after duty paid OFB has left the warehouse.
- c) Excise duty is assessed per the EXD 01, as detailed below:
 - i) **SVM warehouse -**
 - A) Excise duty is assessed on the total bulk volume of OFB removed from the warehouse to the local SACU market during the accounting period.
 - B) The relevant Excise duty is calculated by multiplying the dutiable quantity (litres) by the relevant rate of Excise duty.
 - C) Removals from the SVM to the local SACU market are made per commercial invoice; delivery note or similar document issued in relation to each batch and/or consignment and the total duty paid sales for such period must be reflected on the EXD 01.
 - D) The total dutiable quantity of OFB so removed during the accounting period must be entered on the EXD 01.
 - ii) **OS warehouse -**
 - A) Excise duty is assessed on stock difference for the accounting period; i.e. using the following formula:
 - I) Opening Balance
 - II) Plus: Receipts from Customs and Excise Warehouses
 - III) Less: Total Non-Duty Paid Removals
 - Less: Closing Balance
 - = Total on which Duty must be paid (Dutiable Quantity).
 - B) The relevant Excise duty is calculated by multiplying the dutiable quantity (litres) by the relevant rate of Excise duty.
 - C) The total dutiable quantity of OFB so calculated during the accounting period must be entered on the EXD 01.
 - iii) **Samples -** In accordance with the rules, samples of OFB in a Customs & Excise warehouse may be taken but are in each case liable to payment of Excise duty.

2.10.5 Non Duty Paid transactions

- a) OFB can be removed ex warehouse without payment of Excise duty in the following instances:
 - i) When OFB is removed in bond to other licensed warehouses within the SACU;
 - ii) When OFB is entered under full rebate of duty; and/or
 - iii) When OFB is exported to countries outside the SACU.
- b) **Bonded movements:**
 - i) OFB may be removed ex a licensed warehouse in bond without payment of Excise duty (i.e. duty suspension) to another licensed OFB warehouse in SACU.
 - ii) **Movements between SVM warehouses -** Bonded movements of OFB between SVM warehouses are allowed for purposes of further manufacturing.
 - iii) **Movements between SVM and OS warehouses -** Bonded movements of OFB between SVM and OS warehouses are allowed for the purpose of storage and subsequent Duty Paid and non-Duty Paid movements out of the OS warehouse.
 - iv) **Movements between SVM and SOS warehouses -** Bonded movements of OFB between SVM and SOS warehouses will only be allowed for the following specified purposes:
 - A) Supply to Duty Free Shops and Ships/ Aircraft Chandlers; and
 - B) Storage for export of such OFB.
 - v) **Movements between OS warehouses -** Bonded movements of OFB between OS warehouses are allowed for the purpose of storage and subsequent Duty Paid and non-Duty Paid movements out of the OS warehouse.
 - vi) **Movements between SOS warehouses -** Bonded movements of OFB between SOS warehouses will only be allowed for the following specified purposes:
 - A) Supply to Duty Free Shops and Ships/ Aircraft Chandlers; and

- B) Storage for export of such OFB.
- vii) **Movements to BLNS Countries**
 - A) Bonded movements of OFB will be allowed from licensed warehouses in South Africa to licensed warehouses within the BLNS countries.
 - B) The consignor must complete a DA 32 prior to removal of the consignment of bonded OFB from his/her premises and account for such consignment(s) per the EXD 01.
 - C) All other non-rebated movements of OFB from South Africa to the BLNS countries will be on a duty paid basis.
- viii) **Movements from BLNS Countries**
 - A) Bonded movements of OFB will be allowed from licensed warehouses within the BLNS countries to licensed warehouses in South Africa.
 - B) For all other movements of OFB from these countries, proof of payment of Excise duty must be submitted at the port of entry into South Africa.
- c) **Rebated movements:**
 - i) OFB entered under rebate of duty must be used for the purpose described in the provisions of the specific Rebate Item under which it is entered.
 - ii) A detailed list of all such rebates applicable to the OFB industry is found in Schedule 6. The most common rebates applicable to the OFB industry are rebates for:
 - A) Manufacturing losses;
 - B) Vis Major losses;
 - C) Destructions; and
 - D) Unfortified OFB used in the manufacture of other excisable products.
 - iii) **Manufacturing losses -**
 - A) Rebate Item 624.30 stipulates that Excisable goods in a SVM warehouse and Excisable goods in the process of manufacture and removed from one (1) SVM warehouse to another such warehouse, unavoidably lost in the manufacturing process or through working, pumping, handling and similar causes or through natural causes, to such extent as the Commissioner deems reasonable, may be entered under rebate of duty subject to production of proof that such goods did not enter into consumption.
 - B) Any application by a licensee of a Customs and Excise warehouse for a rebate of duty in terms of Rebate Item 624.30 shall be submitted to the Controller/Branch Manager on a form approved by the Commissioner, supported by such evidence of the loss and the circumstances in which such loss occurred as the Commissioner may require in each case.
 - C) The manufacturer must be able to show the actual volume of OFB lost during normal manufacturing processes from his/her normal commercial records.
 - D) In considering the reasonableness of the loss applied for, regard should be had to the level of manufacturing losses ordinarily incurred by the client (e.g. manufacturing, bottling and packaging operations, and removals between SVM warehouses); and, where appropriate, to industry norms.
 - iv) **Vis Major losses -**
 - A) Rebate item 624.50 provides for losses which occur on a single occasion through product being lost, destroyed or damaged in circumstances of vis major (forces of nature) or in such other circumstances as the Commissioner may regard as exceptional.
 - B) Application for such loss must be made in writing. Such loss, whether it occurred in the licensed warehouse or in transit between warehouses, must immediately be reported to the nearest Controller/Branch Manager or if not available, to the South African Police Service (SAPS). The application must also state the circumstances in which the loss occurred as well as the steps that were taken to prevent any further loss.
 - C) The application can be considered if:
 - I) The loss was immediately reported as stated above;
 - II) The amount in Excise duty on the product lost is not less than R2 500;
 - III) The loss was not due to any negligence or fraud on the part of the person liable for the Excise duty;
 - IV) The goods did not enter into consumption; and
 - V) The Excise duty is not due by a third party to the owner of the goods, e.g. the Excise duty is not insured by an insurance company. Should the Excise duty be insured as well, it must be paid over to SARS.
 - D) If any of the above conditions cannot be met by the applicant, the application cannot be entertained and the Excise duty due must be brought to account.

- E) Refer to Note 4 to Section G of Schedule 6 as well as Rebate Item 624.50.
- v) **Destructions –**
 - A) Licensees may apply (in terms of Rebate Item 624.40) to the Controller/Branch Manager for the destruction of Excisable bonded OFB in instances where a specific consignment of OFB has lost all commercial value or sale of the specific consignment could be harmful to the industry.

d) **Exports:**

- i) Export of OFB to destinations outside the SACU will be allowed under rebate of duty and will be deemed to be duly exported/acquitted only if the prescribed proof of export [original clearance declaration endorsed copy of the processed export clearance declaration with procedure codes H 68-46/F 52-00, original signed bill of lading, airway bill, rail note or road manifest] as described in SE-CL-02 is obtained by the licensee and submitted to the Controller/Branch Manager within thirty (30) days after the export clearance declaration was entered.
- ii) Failure by the licensee to submit such proof of export, as described in SE-CL-02, within thirty (30) days after the date of processing of the export clearance declaration, will render the licensee liable for payment of the relevant Excise duty.
- iii) Locally manufactured OFB exported ex a Customs and Excise warehouse and thereafter brought back (re-imported) by the exporter and re-entered into that warehouse, without having been subjected to any process of manufacture or manipulation and without a permanent change in ownership having taken place, may be allowed free of Customs duty in terms of the conditions set out in Rebate Item 409.06. The procedure to be followed is as follows:
 - A) A permit must be obtained from the Department of Agriculture, Forestry and Fisheries for the importation in the case of wine or spirits;
 - B) Client must request prior permission from the Commissioner for the re-importation;
 - C) The Excisable goods must be taken into the stock of any Customs and Excise warehouse, unless the Commissioner stipulates otherwise; and
 - D) The rate of Excise duty in force at the time of entry for home consumption from such warehouse is paid thereon.
- iv) Via Table Bay Harbour -
 - A) DA 32 certificates in respect of bonded movements of OFB to Table Bay Harbour are not required to be submitted to the local Excise office. It must, however, be kept by the client for record/audit purposes.
 - B) A processed clearance declaration with procedure code H 68-46 must be submitted with the EXD 01.
 - C) Particulars of the clearance declaration with procedure code H 68-46 must be reflected on the DA 260.04 of the Excise account, and not the particulars of the DA 32.
 - D) Should the clearance declaration with procedure code H 68-46 not be received in time for submission with the monthly EXD 01, the removal certificate (DA 32/SAWIS 6) particulars must be reflected on the EXD 01. The processed clearance declaration with procedure code H 68-46 must then be submitted with the following month's EXD 01 reflecting the referencing to the DA 32 of the previous month.

e) **Co-loaded (Groupage) Consignments of OFB for Export:**

- i) **Less Container Load (LCL) Consignments -**
 - A) The removing licensee removes the consignment of OFB in bond per DA 32 to another licensed warehouse who accounts for that consignment in his/her EXD 01; or
 - B) The removing licensee completes a DA 32, marked as reflected below [In this case the licensee(s) of the warehouse(s) where the co-loading takes place does not account per the EXD 01 for the consignment(s) so temporarily received on his/her premises]
 - I) For co-loading at: (Warehouse name and number).
 - II) For eventual export ex: Harbour (Name of harbour/port).
 - C) Each individual LCL consignment removed for export per removal certificate DA 32 must be acquitted by each individual removing licensee. The licensees of the warehouses from where the co-loaded consignments originated must submit a copy of the processed export clearance declaration, together with a packing list identifying his/her specific product as part of the full consignment exported, to his/her local Controller/Branch Manager acquitting his/her specific DA 32 marked "For co-loading at

f) **Movements from SVM to a VMS**i) **Alcohol Extraction Procedure:**

- A) OFB is manufactured or received in the SVM warehouse.
- B) The OFB is subjected to the alcohol extraction process, which renders a low alcohol OFB or a non-alcoholic beverage.
- C) The manufacturer of the non-alcoholic beverage must register in terms of rebate item 620.21 for unfortified wine used in the manufacturing of non-alcoholic beverages.
- D) The entire activity of the alcohol extraction process must take place in the facility of the SVM warehouse.
- E) Rule 75(24) of the Act sets out the requirements with regard to the keeping of a register by the registered rebate users of excisable goods used in the manufacture of, inter alia, non-alcoholic beverages.
- F) The ethanol by-product rendered from the alcohol extraction process is regarded as a spirit classifiable under tariff heading 22.08.
- G) On completion of the alcohol extraction process, the ethanol by-product must be removed to either:
 - I) VMP warehouse for re-distillation;
 - II) VMS warehouse for blending into spirituous beverage; or
 - III) SOS for export or for supply of fermented ethyl alcohol to registered rebate users.

ii) Accounting procedure for the manufacturing of a **non-alcoholic beverage** is as follows:

- A) The OFB to be used in the manufacture of a non-alcoholic beverage is rebated out of the SVM warehouse in terms of rebate item 620.21 on the DA260.04 schedule of the DA260 excise account.
- B) The manufacturer of the non-alcoholic beverage who is registered in terms of rebate item 620.21 receives the OFB under rebate of duty.
- C) On completion of the alcohol extraction process, the ethanol by-product of tariff items 104.21.01 (more than 80% A/V) or 104.23.28 (less than 80% A/V), must be removed to either a VMP, VMS or SOS warehouse.
- D) Form CEB 01, with purpose code ZGR must be completed by the rebate registrant to move the ethanol by-product to the VMP, VMS or SOS warehouse.
- E) Movement of ethanol by-product to the VMP or VMS warehouse:
 - I) CEB 01, with purpose code ZGR in terms of rebate item 621.23/104.21.01 for fermented ethyl alcohol of an alcoholic strength by volume of 80% or higher, undenatured, or
 - II) CEB 01, with purpose code ZGR in terms of rebate item 621.33/104.23.28 for fermented ethyl alcohol being the by-product from a process of extraction (alcohol strength by volume of less than 80%).
- F) Movement of ethanol by-product to the SOS warehouse:
 - I) CEB 01, with purpose code ZGR in terms of rebate item 621.27/104.21.01 for fermented ethyl alcohol of an alcoholic strength by volume of 80% or higher, undenatured; or
 - III) CEB 01, with purpose code ZGR in terms of rebate item 621.37/104.23.28 for fermented ethyl alcohol being the by-product from a process of extraction (alcohol strength by volume of less than 80%).
- G) The conversion of litres into litres absolute alcohol (AA) is indicated on the CEB 01 clearance declaration with purpose code ZGR.
- H) Receipt of ethanol by-product into VMP or VMS warehouse [refer to the Spirits Internal SOP (SE-DT-01-S01)].

iii) Accounting procedure for the manufacture of low – alcohol OFB is as follows:

- A) On completion of the alcohol extraction process, the ethanol by-product must be removed to either a VMP, VMS or SOS warehouse.
- B) The ethanol by-product is rebated out of the SVM warehouse in terms of rebate item 620.20/104.17 on the DA260.04 schedule of the DA260 excise account.
- C) Receipt of ethanol by-product into VMP, VMS or SOS warehouse [refer to the Spirits Internal SOP (SE-DR-01-S01)].

2.11 Duty paid returns from the local market

2.11.1 Other Fermented Beverages (OFB) which are off-specification or have become contaminated or have undergone post-manufacturing deterioration

- a) Other Fermented Beverages which are off-specification or have become contaminated or have undergone post-manufacturing deterioration may be returned to a Customs and Excise special manufacturing warehouse (SVM) for destruction or reprocessing, only if such products are found to be off-specification, contaminated or have undergone post-manufacturing deterioration within a period of twelve (12) months after removal from the SVM and that the goods are returned within this period.
- b) The provisions of Rebate Item 620.24 shall apply in respect of OFB –
 - i) Under the control of the manufacturer;
 - ii) Returned as produced from the same batch(es); and
 - iii) Returned in the originally sealed containers for wholesale or similar packaging.
- c) The licensee of the Customs and Excise manufacturing warehouse in which such goods will be reprocessed or destroyed must apply to the Commissioner for such reprocessing or destruction stating the circumstances in which the goods have become, and the extent to which the goods are, off-specification or contaminated.
- d) If the Commissioner approves the application, any OFB returned in terms of Rebate Item 620.24 shall be –
 - i) Kept intact and entirely separate from any other goods or materials until they have been examined and identified by an Officer; and
 - ii) Where approved unpacked and transferred to and mixed with stocks of materials for reprocessing, under supervision of an Officer; or
 - iii) Destroyed under supervision of an Officer.
- e) The licensee of a SVM to which such products are returned for destruction or reprocessing must keep a record which includes at least the following –
 - i) A detailed description of the goods received including the applicable tariff item;
 - ii) The quantity received; the date of receipt;
 - iii) The delivery note under cover of which such products were returned;
 - iv) Proper record of the excise inspection processes; and
 - v) Proper record of the excise permission to destroy or reprocess.

2.12 Set-off

- a) For the purpose of section 75(11A), the licensee of the SVM making such application must produce proof that duty was in fact paid as well as the rate at which the Excise duty was paid on such products presented for **destruction or reprocessing** in accordance with the provisions of Rebate Item 620.24.
- b) If the licensee is unable to produce such proof of the rate, the duty on any quantity so returned shall be calculated for refund purposes at the lowest rate of Excise duty levied in terms of this Act on such products during the twelve (12) month period.
- a) Where any goods containing spirits for which any rebate of duty on the spirits has been allowed as contemplated in Section 75(18) are returned to a Customs and Excise manufacturing warehouse for reprocessing or destruction as provided in this item, the Excise duty so allowed as a rebate in respect of the goods returned must be paid back before any process of reworking the product or destruction thereof may take place.
- b) The licensee of such warehouse may, after reprocessing or destruction of the products concerned, and on accounting for the goods reprocessed or destroyed in the monthly account (EXD 01), prescribed in the rules for Section 19A, set-off as contemplated in Section 77, any amount duly refundable against the amount payable on such account during a period of two (2) years after receipt of the goods for reprocessing or destruction, as the case may be.

- c) The amount to be set-off shall be calculated in the following manner:

Quantity returned (number, kilograms or litres absolute alcohol etc.) × rate of duty (determined as above) = Duty to be set-off.

- d) This amount must then be subtracted from the Excise duty due on the EXD 01.

2.13 Acquittals

- a) Acquittal is the process whereby a trader ends a specific liability towards SARS; by complying with a prescribed procedure, entering a prescribed document, paying the relevant Excise duty, etc.
- b) The documents which will be acceptable for acquittal purposes are prescribed in SE-CL-02 – Acquittal of in Bond/Inter-Warehouse and Export Declarations for locally manufactured Excisable and Levy goods.
- c) Paragraph 2.8.5(f) refers to the acquittal procedure for co-loaded (Groupage) consignments of wine for export.

3 RELATED INFORMATION

3.1 Legislation

TYPE OF REFERENCE	REFERENCE
Legislation and Rules administered by SARS:	Customs and Excise Act No. 91 of 1964: 18, 18A, 19, 20, 21, 27, 44(2), 75(18), 101, 101A, 116 and 119A Customs and Excise Rules: 18.01 to 18.15, 18A.01 to 18A.01 to 18A.07, 19.01 to 19.07, 20.14, 20.17, 27.01 to 27.13, 101.01 to 101.03(e), 101A.01 to 101A.12 and 119A.R101A(10)(d) Customs and Excise Tariff: Schedules 1 Part 2A and 6 Tax Administration Act No. 28 of 2011: Sections 215 to 220 and 224 Tax Administration Laws Amendment Act, 2014: Section 15
Other Legislation:	Liquor Products Act, 1989 (Act No. 60 of 1989): Section 3
International Instruments:	None

3.2 Cross References

DOCUMENT #	DOCUMENT TITLE
BP-02	Payments - External Standard
FIN-AM-03	Customs or Excise eAccount on eFiling – External Manual
SC-CC-24	Administrative Appeal – External Policy
SC-CC-26	Alternative Dispute Resolution – External Policy
SC-CF-04	Completion of Declarations – Internal and External Manual
SE-AM-19-M01	Declaration and Return Submission via eFiling – External Manual
SE-AM-21	Prescribed Payment Terms/Periods – External Standard
SE-CL-02	Acquittal of Excisable and Levy goods – External Standard
SE-CL-06	Accounting for Duty/Levy – External Standard
SE-CL-10	Clearance Declarations – External Standard
SE-CL-12	Submission of Accounts>Returns – External Policy
SE-DT-04	Wine and Vermouth – External Policy
SE-FS-02	Licensing - External Standard
SE-FS-05	Bonds – External Standard
SE-FS-09-G01	Introduction to Excise Duties Levies and Air Passenger Tax – External Guide
SE-FS-12	Provisional Payment – External Policy
SE-FS-13	DA 70 – External Manual
SE-FS-15	Special or Extra Attendance – External Standard
SE-FS-19	Refunds - External Directive
SE-FS-21	Registration - External Standard

3.3 Quality Records

NUMBER	TITLE
CEB 01	Customs and Excise Billing
DA 32/SAWIS 6	Certificate for removal of Excisable/specified goods ex warehouse.
DA 260	Excise Account - Wine and Other Fermented Beverages (SVM, OS and SOS) - Summarising Page of all movements of Wine during the accounting period.
DA 260.01	Excise Account Schedule - Wine and Other Fermented Beverages (SVM) - Schedule of Production during the accounting period.
DA 260.02	Excise Account Schedule - Wine and Other Fermented Beverages (SVM, OS and SOS) - Schedule of Receipts From C & E Warehouses during the accounting period.
DA 260.04	Excise Account Schedule - Wine and Other Fermented Beverages (SVM, OS and SOS) - Schedule of Non-Duty Paid Removals during the accounting period.
DA 260.04A	Excise Account Schedule - Wine and Other Fermented Beverages (SVM, OS and SOS) - Itemised list, per removal type, of Non-Duty Paid Removals during the accounting period.
EXD 01	Excise Duty and Levy return

4 DEFINITIONS AND ACRONYMS

Alcoholic beverages	Means alcoholic beverages as contemplated in Chapter 22 of Part 1 of Schedule 1
BLNS	a) The Republic of Botswana; b) The Kingdom of Lesotho; c) The Republic of Namibia; and d) The Kingdom of Swaziland
Cider	An alcoholic beverage made from fermented apple juice.
Clearance Declaration	Applicable SAD form (e.g. SAD 500, 501, 502, 503, 504, 505, 506, etc.) or CD 1 (Customs Declaration).
Commercial sale	A sale made by a vendor (including a manufacturer) in the normal run of business, with the intention of making a profit.
Controller/Branch Manager	The officer designated by the Commissioner to be the Controller/Branch Manager of Customs and Excise in respect of that area or matter and includes an officer acting under the control or direction of any officer so designated by the Commissioner.
Directive	Used to convey policies, responsibilities and procedures.
Distillation	The process of extracting alcohol from a base product (e.g. malt beer, wine, sugar cane, etc.) by heating such base product in a still.
Duty suspension	Refers to the storage, holding or movement of goods liable to Excise duty without payment of duty.
Excisable Goods	Any goods specified in Part 2 of Schedule 1, locally manufactured or imported.
F 52-00	Supply of 'Stores' of locally manufactured 'Excise' products, ex an Excise manufacturing warehouse
Fortified Apple or Pear Beverage (FAPB)	Other fermented apple or pear beverages, fortified, with an alcoholic strength of at least 15% by volume but not exceeding 23% volume.
Fortified Mixture of Beverages (FMOB)	Other mixtures of fermented fruit or mead beverages and non-alcoholic beverages, unfortified, with an alcoholic strength of at least 15% by volume but not exceeding 23% by volume.
Fortified Other Fermented Beverages (FOFB)	Other fermented beverages, unfortified, which has been fortified by the addition of wine spirits to an alcoholic strength by volume of at least 15% A/V but not exceeding 23% A/V.
Ginger Beer	An alcoholic beverage made by fermenting water and sugar or yeast with added ginger and/or flavoured, to have a ginger taste.
H 68-46	Clearance for outright export of 'Excise' goods from an excise warehouse
kPa	Kilo Pascal
Licensees	Any person licensed under any provision of the Act.
Malton	A fermented beverage prepared from malt extract and wine lees.
Manufacture	This includes: a) Any process in the manufacture or assembly of Excisable goods or the conversion of any goods into Excisable goods, whereby the dutiable quantity or value of excisable goods is increased in any manner;

		<ul style="list-style-type: none"> b) The recovery of excisable goods from Excisable goods or any other goods; and c) The packing or measuring off of any Excisable goods.
Mead		An alcoholic drink made by fermenting honey with water, often with added spices.
OFNM		Other Fermented Non-Malted Cereal Grains - Other fermented beverages of non-malted cereal grains, unfortified, with an alcoholic strength by volume of 2.5% or more by volume but not exceeding 9% by volume..
OFB		Other Fermented Beverages
Palm wine		An alcoholic drink made from fermented palm sap.
Perry		A drink made from fermented pear juice, similar to cider or wine.
Policy		Used to convey the policy mandated by legislation and the sequential steps to be followed
Role-players		The South African Revenue Service; Manufacturers of wine; Importers of wine; Exporters of wine; Department of Agriculture; South African Wine Industry Information and Systems (SAWIS); and Licensees of Customs and Excise warehouses.
SACU		The Southern African Customs Union, consisting of: <ul style="list-style-type: none"> a) The Republic of South Africa; b) The Republic of Botswana; c) The Kingdom of Lesotho; d) The Republic of Namibia; and e) The Kingdom of Swaziland.
Schedule 1 Part 2A		Specific Excise Duties on locally manufactured or on imported goods of the same class or kind.
Schedule 6		Rebates and Refunds of Excise Duties, Fuel Levy and Environmental Levy.
SOS		Special Storage Warehouse for spirits
Sparkling Other Fermented Beverages (SOFB)		Sparkling beverages means beverages which, when kept at a temperature of 20°C in closed containers, has an excess pressure of not less than 300kPa.
Spruce		A beverage made from leaves or small branches of spruce fir or from spruce essence.
Unfortified Apple, Pear Beverage (UAPB)		Other fermented apple or pear beverages, unfortified, with an alcoholic strength of at least 2.5% by volume but not exceeding 15% by volume.
Unfortified Mixture of Beverages (UMOB)		Other mixtures of fermented fruit or mead beverages and non-alcoholic beverages, unfortified, with an alcoholic strength of at least 2.5% by volume but not exceeding 15% by volume.
Unfortified Other Fermented Beverages (UOFB)		Other fermented fruit beverages and mead beverages, including mixtures of fermented beverages derived from the fermentation of fruit or honey, unfortified, with an alcoholic strength of at least 2.5% by volume but not exceeding 15% by volume.
Vis Major		A natural and unavoidable catastrophe that interrupts the expected course of events, normally caused by forces of nature.
VMP		Primary Manufacturing Warehouse for spirits
VMS		Secondary Manufacturing Warehouse for spirits
Wine Spirits		Spirits obtained by the distillation of wine from fresh grapes.

5 DOCUMENT MANAGEMENT

Policy Owner	Executive: Excise Audit Enforcement.
Detail of change from previous revision	<p>The following paragraphs have been impacted:</p> <p>Point (a) has been inserted under paragraph 2 to make it clear that should the policy be in conflict with any provisions of the legislation, the applicable Act shall take precedence;</p> <p>Paragraph 2.4.1(a) has been substituted with the unfortified wine process; and Paragraph 2.4.1(b), (c) and (d) have been deleted.</p> <p>2.10.5 (f) Movements from the SVM to VMS has been added make provisions for the:</p> <ul style="list-style-type: none"> (i) Alcohol extraction procedure; (ii) Accounting procedure for the receipt of ethanol by-product from a process of extraction, as a consequence of the manufacturing of non-alcoholic beverages; and (iii) Accounting procedure for the receipt of ethanol by-product from a process of extraction, as a consequence of the manufacturing of low alcohol wine, OFB or beer. <p>Business Owner changed from Executive: Excise Audit to Executive: Excise Audit Enforcement.</p>
Template number and revision	GC-TM-03 - Rev 9