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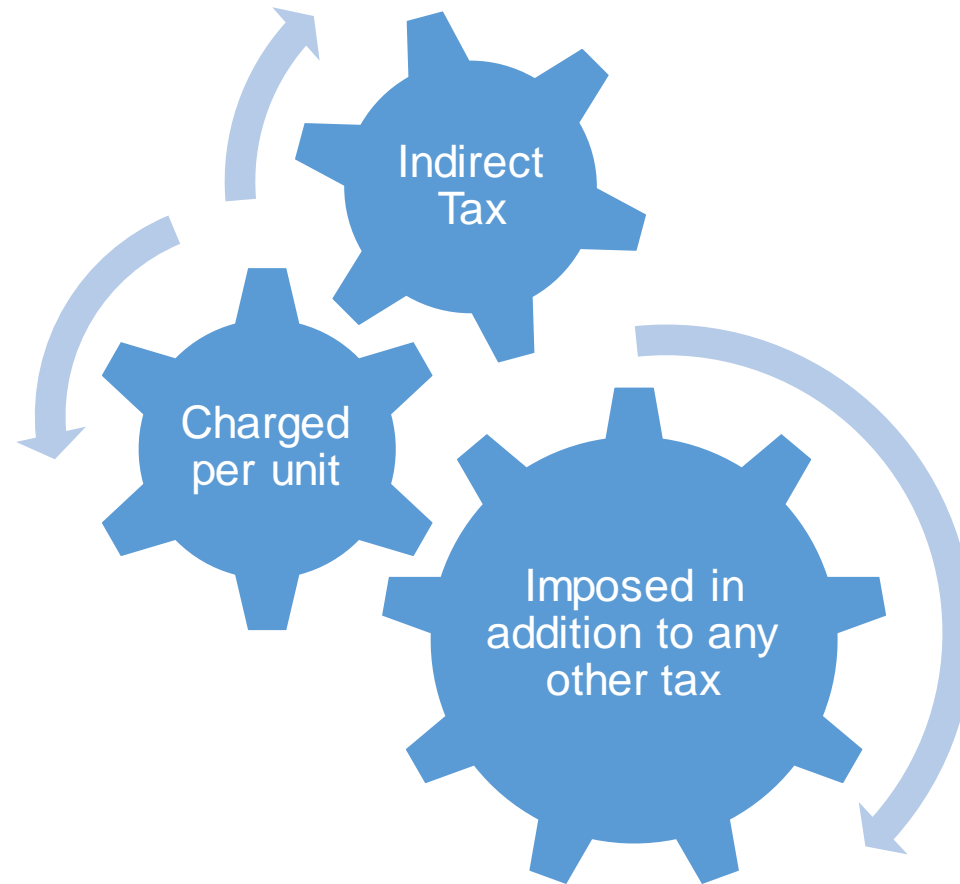
Introduction

What is Excise Duty ?

- SARS fiscal mandate is to collect all taxes, including applicable excise duties from the correct sources, at correct time.
- The primary function of excise duties and levies is to collect revenue for the state, while the secondary function is to discourage behaviours which may be harmful to environment and the health of society.
- Excise duties are an indirect tax charged per unit, declared and paid to SARS, in addition to other taxes.
- Excise duties and levies are levied mostly on high-volume, daily consumable products as well as on selected high value items.
- The excise duties and levies are assessed at manufacturing level [Duty at Source system (DAS)] but some products are assessed at point of sale/ movement into home consumption (Non-DAS)

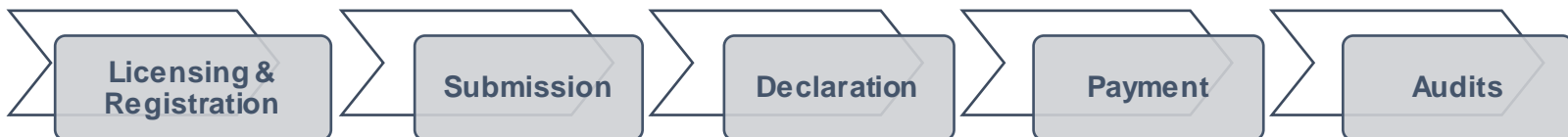
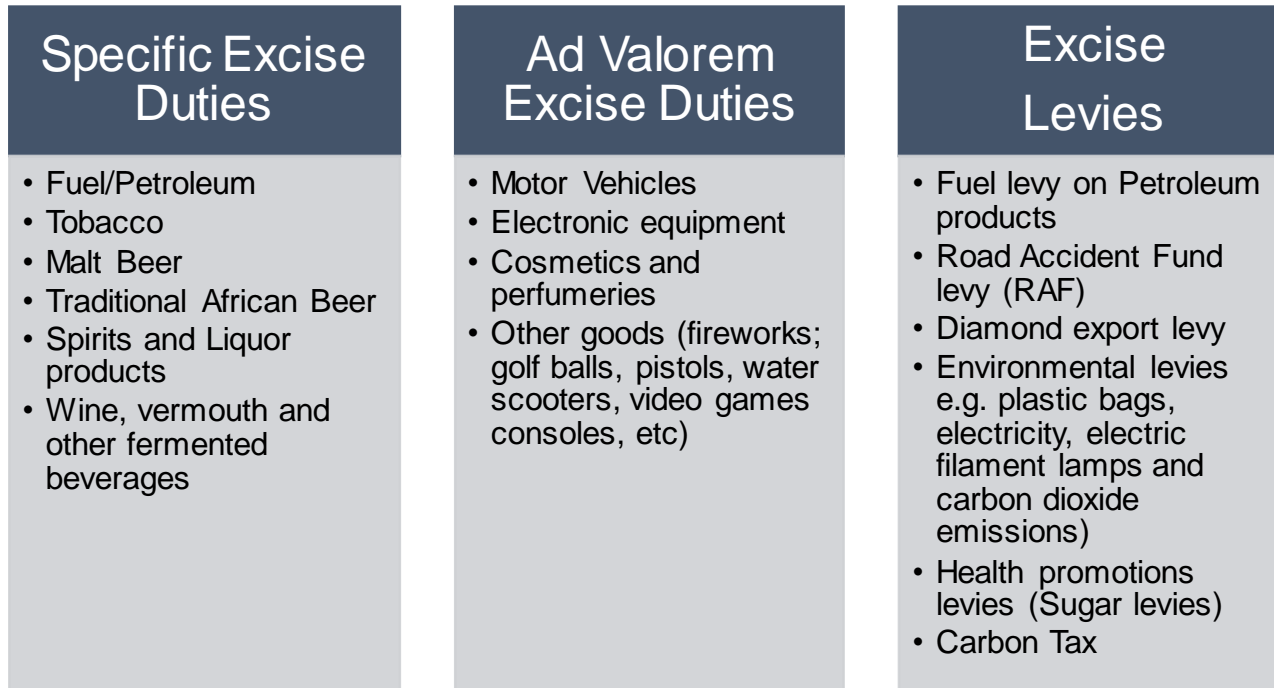
Introduction

How is Excise Tax structured in South Africa ?



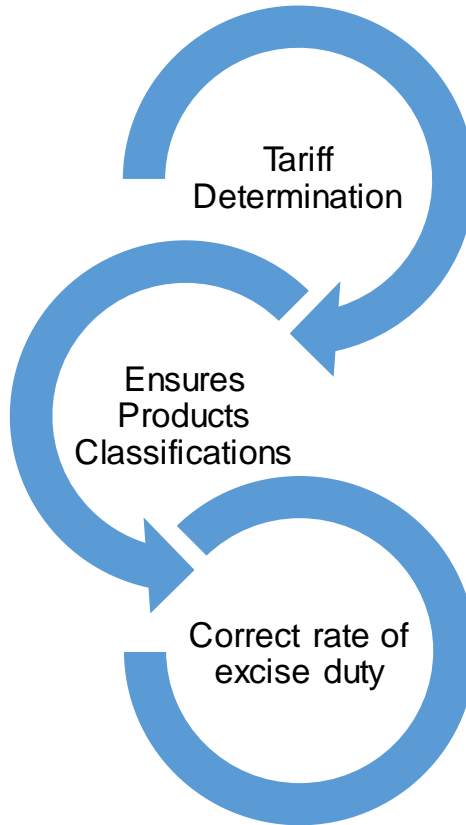
Introduction

High Level overview of the SARS Excise Value Chain



Introduction

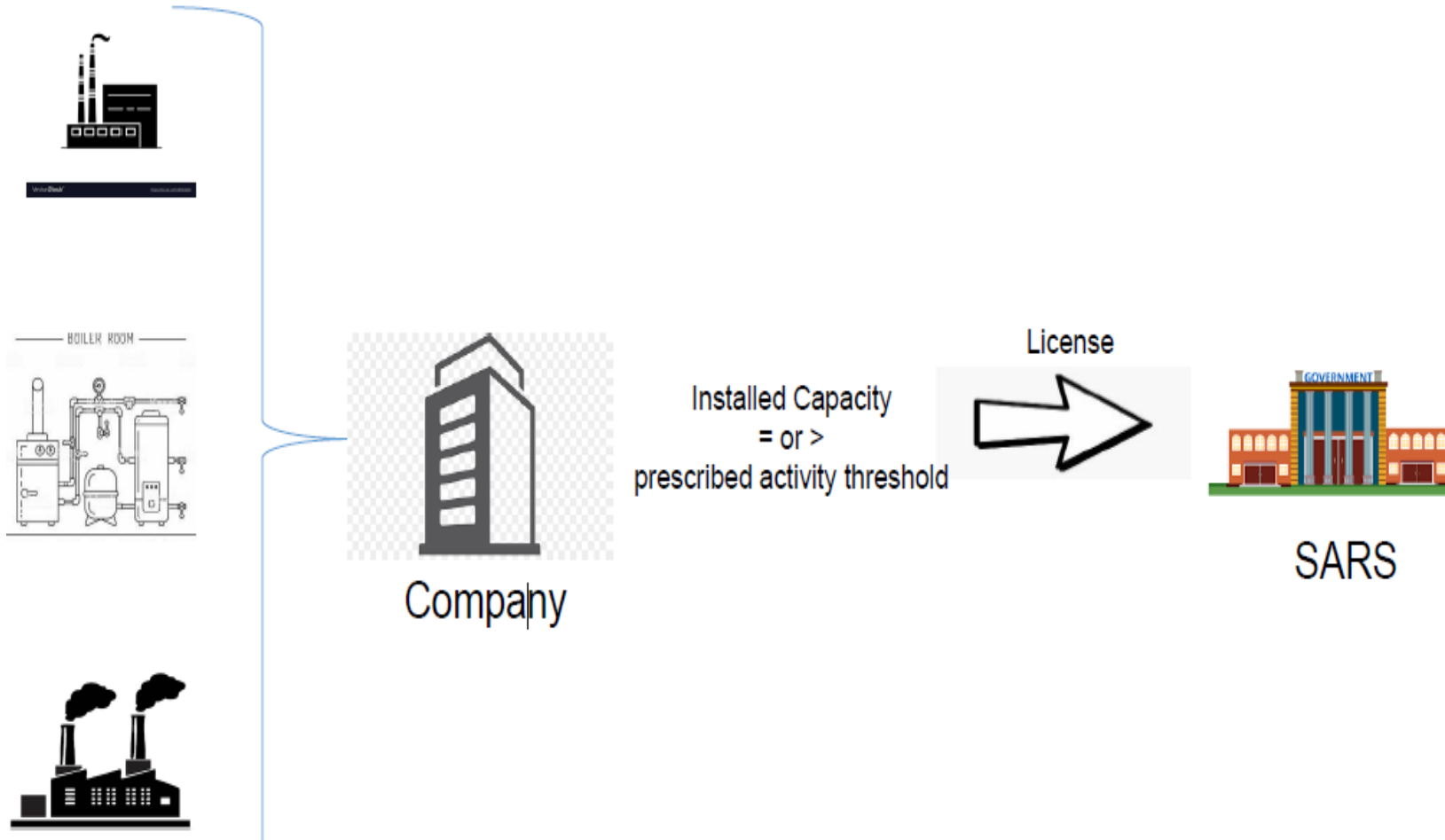
Tariff Determination





Licensing & Registration

Licensing and Registration



Licensing and Registration

Applicant

- Submit a DA 185 application with relevant annexures and supporting documents to SARS.

Security Management

- The financial status of the applicant will be verified as well as the bond requirements, where necessary.

Premises Verification

- The warehouse will be verified for existence and adherence to the prescribed warehouse requirements.

Application Finalisation

- Application will either be approved or rejected by SARS.
- If approved, the warehouse approval details will be issued

Licensing and Registration

Licensing Conditions

- A license must be issued for the respective premises, based on the type of application received and approved by SARS.
- The activities for which the license is required, the person and the conditions imposed will be reflected on the specific license issued.
- Applicants for warehouses must apply for a separate license for each individual warehouse, except for Carbon tax, which licences at entity level.
- No alterations may be made on such a license by the applicant, and the license must be available for inspection by SARS Excise when requested.



Ad Valorem Products

Ad Valorem Products

What is it ?

Products are subject to the payment of Ad Valorem excise duty if used within the Southern African Customs Union (SACU). These products include, amongst others, motor vehicles, electronic equipment, cosmetics, perfumeries.

Who is it for ?

Manufacturers of qualifying Ad Valorem products.

What steps to take?

Relevant entities in RSA that deal in Ad Valorem products must license with SARS Excise before they start to manufacture.

Ad Valorem Products



Ad Valorem Products

Liability for the Duty



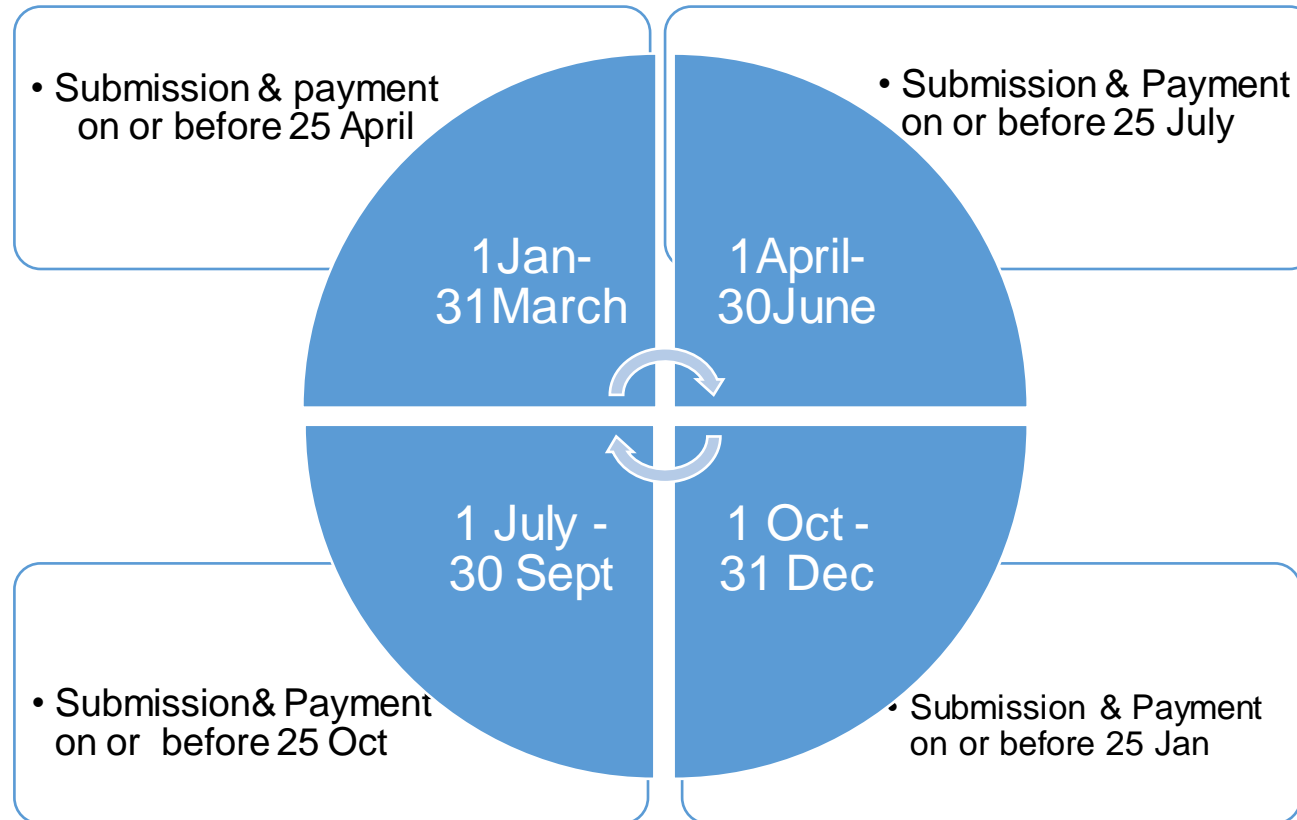
The applicable excise duty on Ad Valorem products is self-assessed by licensees.

Qualifying goods and current rates are found under Schedule 1, Part 2B of the Customs & Excise Act .

Submission and payment of accounts can only be made via SARS eFiling on a quarterly basis.

Ad Valorem Products

Accounting Periods





Alcohol Products

Alcohol Products

Alcoholic products includes all products obtained by:

- Fermentation
- Infusion
- Brewing
- Distillation

Manufacturers must license with SARS Excise before they start to manufacture or deal in alcoholic products.

Alcohol Products



Products become excisable when they attain their essential characters & have an alcoholic strength of 0.5% per volume or more.

Malt Beer

What is it ?

Malt beer is an alcoholic beverage manufactured from malt.

Who is it for ?

Licensees who manufacture malt beer for home consumption, bonded removals and export.

What steps to take?

Entities in RSA must license with SARS Excise before they start to manufacture or deal in malt beer.

Malt Beer

Rate of duty

- Excise duty is calculated on the Litres Absolute Alcohol (LAA) of the product.
- The rate of duty to be used for the purpose of calculation of Excise duty for malt beer is the relevant rate of duty in terms of Schedule 1, Part 2A of the Customs & Excise Act, at the time of entry for local consumption within SACU.
- Excise duty calculation for malt beer:

Bulk volume (Litres) x alcoholic strength per volume (AV) = LAA

LAA x relevant rate of duty = Excise duty payable

Malt Beer

- **Duty Paid transactions**

- Removal of duty paid malt beer for consumption as liquor in SACU is allowed only from a licensed Manufacturing Warehouse (VM).
- No relief of duty (rebate or refund) exists for losses incurred after duty paid malt beer has left the Manufacturing Warehouse (VM).

- **Non Duty Paid transactions**

- Malt beer can be removed ex warehouse without payment of excise duty in the following instances:
 - When malt beer is removed in bond to other licensed warehouses within SACU;
 - ☐ However, movement of bonded (non-duty paid) malt beer between licensed VMs is not allowed.
 - When malt beer is entered under full rebate of duty; and/or
 - When malt beer is exported to countries outside SACU.

Malt Beer

Liability for the Duty



The applicable excise duty on malt beer is self-assessed by licensed manufacturers, declaration is made by licensee.

Submission and payment of accounts can only be via SARS eFiling on a monthly basis for the VM.

Spirits Products

What is it

Spirits are manufactured from base products (e.g., grapes/wine, sugar cane/molasses, grain or other products) that are liable for payment of excise duty.

Examples of these products are liqueurs, brandy, whisky and rum. It can also include undenatured and denatured ethyl alcohol for industrial use e.g., hand sanitizers, paints, solvents, cosmetics.

Who is it for ?

Licensees that manufacture spirits for home consumption, bonded removals and export.

What steps to take ?

Any entity that wants to manufacture spirits in South Africa must first license, meet the requirements and complete the necessary DA 185 application form and applicable annexures.

Spirits

Rate of duty

- The rate of duty to be used for the purpose of calculation of excise duty for spirits is the relevant rate of duty in terms of Schedule 1, Part 2A of the Customs & Excise Act, at the time of entry (removal) from the warehouse for local consumption within SACU.
- Calculation of excise duty:

Bulk volume (Litres) × alcoholic strength per volume (A/V) = LAA

LAA × relevant rate of duty = Excise duty payable

Spirits

Duty Paid transactions

- Removal of duty paid spirits for consumption as liquor in SACU is allowed only from a Primary Manufacturing Warehouse (VMP) and a Secondary Manufacturing Warehouse (VMS).
- No relief of duty (rebate or refund) exists for losses incurred after duty paid on spirits that have left the Manufacturing Warehouse (VM).

Non-Duty Paid transactions

- Spirits can be removed ex warehouse without payment of excise duty in the following instances:
 - When spirits are removed in bond to other licensed warehouses within SACU;
 - When spirits are entered under full rebate of duty; and/or
 - When spirits are exported to countries outside SACU.

Spirits Products

Liability for the Duty



The liability for excise duty in the spirits industry is self-assessed and the duty is collected on a duty at source (DAS) basis.

The rate of duty applicable to spirits products is specified under Schedule 1, Part 2, Section A of the Customs & Excise Act.

Submission and payment of accounts can only be made via SARS eFiling on the prescribed submission form (EXD260) and payment dates.

Traditional African Beer (TAB)

What is it ?

Traditional African Beer (TAB) is an alcoholic beverage made by the fermentation of malt or unmalted grain or meal of sorghum, maize, finger millet or pearl millet of which the fermentation has not been arrested .

Who is it for?

Licensees who manufacture TAB for home consumption, bonded removals and export.

What steps to take?

Entities in RSA must license with SARS Excise before they start to manufacture or deal in TAB

Traditional African Beer (TAB)

Rate of duty

- The rate of duty to be used for the purpose of calculation of excise duty for TAB and Traditional African Beer Powder (TABP) is the relevant rate of duty in terms of Schedule 1, Part 2A of the Customs & Excise Act, at the time of entry for local SACU consumption.



Traditional African Beer (TAB)

Calculation of duty

- Excise duty on TABP is calculated on the kilogram of the product
- Calculation of excise duty: TABP

Bulk quantity (kg) X relevant rate of duty = Excise duty

- Excise duty on TAB is calculated on the volume (litres) of the product.
- Excise duty payable on TAB made from malt (TABM) or sorghum powder (TABS) is calculated using the following formula:

Bulk volume (Litres) × relevant rate of duty = Excise duty payable

Traditional African Beer (TAB)

- **Duty Paid transactions**

- Removal of duty paid Traditional African Beer for consumption as liquor in SACU is allowed only from a licensed Special Manufacturing Warehouse (SVM).
- No relief of duty (rebate or refund) exists for losses incurred after duty paid on Traditional African Beer has left the Special Manufacturing Warehouse (SVM).

- **Non Duty Paid transactions**

- TAB can be removed ex warehouse without payment of excise duty in the following instances:
 - When TAB is removed in bond to other licensed warehouses within SACU;
 - ☐ However, movements to another licensed SVM warehouse in SACU is allowed for purposes of further manufacturing only.
 - When TAB is entered under full rebate of duty; and/or
 - When TAB is exported to countries outside SACU.

Traditional African Beer (TAB)

Liability for the Duty

The applicable excise duty on TAB is self-assessed by licensed manufacturers, declaration made by licensee.



The accounting period for the completion of excise account is monthly

Submission and payment of excise accounts (EXD260) can only be made via eFiling

Prescribed submission forms and payment dates are available on the SARS website – www.sars.gov.za

Wine and Vermouth

What is it ?

Wine is an alcoholic beverage obtained from the fermentation of fresh grapes e.g. table wine, port, sparkling wine.

Vermouth is an alcoholic beverage obtained by flavouring wine of fresh grapes with plants or aromatic substances.

Who is it for ?

Licensees who manufacture wine and vermouth for home consumption, bonded removals and export.

What steps to take?

Entities in RSA must license with SARS Excise before they start to manufacture or deal in wine and vermouth

Wine and Vermouth

Rate of duty

- Excise duty on wine and vermouth is calculated on the volume (litres) of the product.
- The rate of duty to be used for the purpose of calculation of excise duty for wine and vermouth is the relevant rate of duty in terms of Schedule 1, Part 2A of the Customs & Excise Act, at the time of clearance declaration (removal) from the warehouse, for local SACU consumption.
- Calculation of excise duty:

Bulk volume (Litres) × relevant rate of duty = Excise duty payable

Wine and Vermouth

Duty Paid transactions

- Removal of duty paid wine and vermouth (in normal packaging for retail sales) for consumption as liquor in SACU is allowed only from a licensed Special Manufacturing Warehouse (SVM) or Storage Warehouse (OS).
- No relief of duty (rebate or refund) exists for losses incurred after duty paid on wine and vermouth that has left the Special Manufacturing Warehouse (SVM).

Non Duty Paid transactions

- Wine and vermouth can be removed ex warehouse without payment of excise duty in the following instances:
 - When wine and vermouth are removed in bond to other licensed warehouses within SACU;
 - ☐ However, movements to another licensed SVM warehouse in SACU is allowed for purposes of further manufacturing only.
 - When wine and vermouth are entered under full rebate of duty; and/or
 - When wine and vermouth are exported to countries outside SACU.

Wine and Vermouth

Liability for the Duty



The applicable excise duty on wine and vermouth is self-assessed by licensed manufacturers. Declaration is made by licensee.

Accounting period for the completion of the excise account is monthly for the Special Manufacturing Warehouse (SVM) and Storage Warehouse (OS) and quarterly for the Special Storage Warehouse (SOS).

Submission and payment of excise accounts (EXD260) can only be made via eFiling.

Other Fermented Beverages (OFB)

What is it ?

Other Fermented Beverage (OFB) is an alcoholic beverage 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.

Who is it for ?

Licensees who manufacture other fermented beverages for home consumption, bonded removals and export.

What steps to take?

Relevant entities in RSA must license with SARS Excise before they start to manufacture or deal in other fermented beverages

Other Fermented Beverages (OFB)

Rate of duty

- Excise duty on OFB is calculated on the Litres Absolute Alcohol (LAA) of the product.
- 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 of the Customs & Excise Act, at the time of clearance declaration (removal) from the warehouse for local SACU consumption.
- Calculation of excise duty:

Bulk volume (litres) x alcoholic strength per volume (A/V) = LAA

LAA x relevant rate of duty = Excise duty payable

Other Fermented Beverages (OFB)

- **Duty Paid transactions**

- Removal of duty paid OFB for consumption as liquor in SACU is allowed only from a licensed Special Manufacturing Warehouse (SVM) or Storage Warehouse (OS).
- No relief of duty (rebate or refund) exists for losses incurred after duty paid on other fermented beverages has left the Special Manufacturing Warehouse (SVM).

- **Non Duty Paid transactions**

- Other Fermented Beverages can be removed ex warehouse without payment of excise duty in the following instances:
 - When OFB is removed in bond to other licensed warehouses within SACU;
 - When OFB is entered under full rebate of duty; and/or
 - When OFB is exported to countries outside SACU.

Other Fermented Beverages (OFB)

Liability for the Duty



- The applicable excise duty on OFB is self-assessed by licensed manufacturers. Declaration is made by the licensee.
- Accounting period for the completion of excise account is monthly for the Special Manufacturing Warehouse (SVM) and storage warehouse (OS), quarterly for the Special Storage Warehouse (SOS).
- Submission and payment of excise accounts (EXD260) can only be made via eFiling.
- Prescribed submission and payment dates are available on the SARS website – www.sars.gov.za



Petroleum Products

Petroleum Products

What is it?

Petroleum products include Petrol, Diesel, Bio-Diesel, Unmarked Aliphatic Hydrocarbon Solvents and Unmarked Illuminating Kerosene (Unmarked Paraffin).

Who is it for ?

Local manufacturers and importers of excisable petroleum products which are for home consumption.

What steps to take?

Local manufacturers of excisable petroleum products must license with SARS Excise before they start to manufacture or deal with these products. Importers of these products have to be registered as such.

Petroleum Products

Liability for the Duty



The applicable excise duty on Petroleum products is self-assessed by licensed manufacturers.

Current rates are found in Schedule 1, Part 2A (Excise duty), Part 5A (Fuel levy) and Part 5B (Road Accident Fund (RAF)) of the Customs & Excise Act.

Accounting period for the completion of excise account is done monthly for the VM warehouse and quarterly for the SOS warehouse.

Submission and payment of excise accounts (EXD159 for the SOS) and (EXD160 for the VM) can only be made via eFiling.



Tobacco Products

Tobacco Products

What is it ?

Tobacco products include Cigarettes, Cigars, Cigarette Tobacco and Pipe Tobacco and are subject to the payment of excise duty if consumed within SACU.

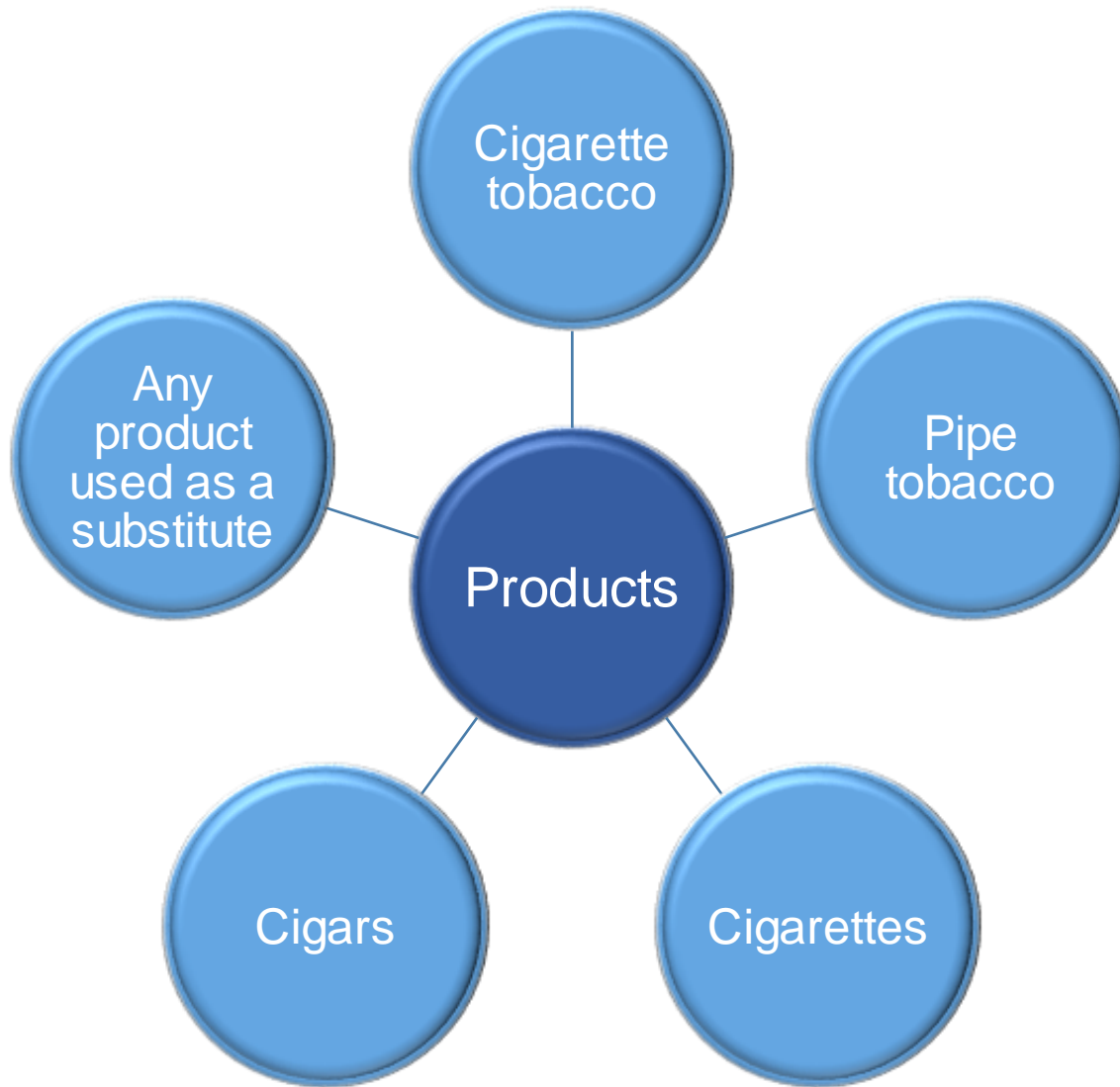
Who is it for ?

Local manufacturers throughout SACU and importers of tobacco products for home consumption.

What steps to take ?

Relevant entities in RSA must license with SARS Excise before they start to manufacture or deal in tobacco products.

Tobacco Products



Tobacco Products

Liability for the Duty



The applicable excise duty on Tobacco products is self-assessed by licensed manufacturers.

The accounting period for the completion of excise account is monthly for the VM and quarterly for the SOS warehouse.

Submission and payment of excise accounts (EXD260) can only be made via eFiling

Tobacco Products

Rate of duty

Excise duty on cigarettes (CIGS) is calculated using the following formula:

Total quantity (Number) x relevant rate of duty = Excise duty payable

The rate of duty is expressed in units of ten (10) cigarettes

Excise duty on cigarette tobacco, pipe tobacco and cigars calculated using the following formula :


Bulk weight (kg) x relevant rate of duty = Excise payable



Legislation Updates

2022/2023 Budget Speech Highlights

The following increase will take effect immediately

Product	
340ml can of beer or cider	11c
750ml bottle of wine	17C
Bottle of sparkling wine	76c
Bottle of spirits	R4.83
Packet of cigarettes	R1.03
25 grams of piped tobacco	37c
23 gram cigar	R6.77

Increases of between 4.5 % and 6.5 % in excise duties on alcohol and tobacco products.

Special Conditions - Rebate Item 621.08

Temporary Rebate Registrations

- In terms of Note 4A to Section D of Schedule No. 6, special conditions were put in place for the recipients and users of partially denatured or undenatured ethyl alcohol used for the manufacture of disinfectant classifiable in heading 38.08 (e.g., hand sanitizers).
- These measures included a temporary registration process that would be valid for the duration of the national state of disaster.
- In terms of Note 4A(f) the temporary registration issued will only be valid from the date on which the letter of approval is issued until the date the state of national disaster comes to an end.
- Should clients wish to continue using rebate item 621.08 for the manufacture of hand sanitizers, they need to follow the normal registration process used before the announcement was made.



Compliance

Compliance

Penal provisions

Penalties are imposed in accordance with the specific Sections 78 to 86A, commonly termed “the penal provisions”.

The Act distinguishes between less serious offences and serious offences and the severity of penalties increases depending on the extent of the infringement.

Compliance

Penalties

- Failure to adhere to the provisions of the Customs & Excise Act is considered an offence.
- Offences may render the client liable to:
 - Monetary penalties;
 - Criminal prosecution; and/or
 - Suspension and/or cancellation of their deferment account, registration, license, accreditation and/or designation.



Submission Appeals

- An appeal against a decision taken must be submitted -
 - Electronically through —
 - ✓ eFiling, (if this mode of submission is available); or
 - ✓ e-mail
 - By delivering the document by hand to the office that communicated the decision.
- An appeal must be submitted within 30 days from the date the appellant became aware of the decision.

Excise Duty Reference Documents

- All relevant Excise duty policies, guides and forms are contained on SARS website for external reference
- The Excise duty page can be accessed on the SARS website by following the path below:



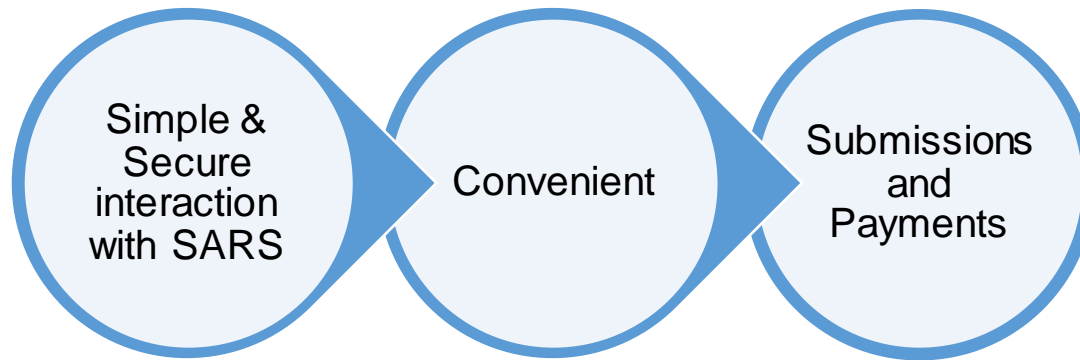
Click on selected product or area of interest e.g., licensing, submission of accounts, etc.

<https://www.sars.gov.za/customs-and-excise/excise/>



Efiling Benefits

E-filing Benefits



SMME Tax Obligations

Income Tax

**Value Added
Tax (VAT)**

**Pay As you
Earn (PAYE)**

Tax Compliance Status

Compliance Pillars



Registration

Registered and active for the tax products that you are liable for.



Submission of Returns

Returns are outstanding after the filing due dates.



Debt

Any outstanding tax debt with SARS for which payment arrangements have not been made.

List of abbreviations and acronyms

DAS	Duty at source
SOS	Special Storage Warehouse
OS	Storage Warehouse
SVM	Special Manufacturing Warehouse
VMP	Primary Manufacturing Warehouse
VMS	Secondary Manufacturing Warehouse
OFB	Other Fermented Beverages
TAB	Traditional African Beer
TABP	Traditional African Beer Powder
SACU	Southern African Customs Union
RSA	Republic of South Africa
LAA	Litres Absolute Alcohol

Contact Us

Your compliance changes lives
#YOURTAXMATTERS

We've made it easier for you.

- Download the SARS MobiApp via your app store.
- Register for eFiling
- Visit SARS website for new functionalities that make transacting with SARS simpler
- Visit the SMME webpage on SARS website for additional useful information on SMMEs as well as tax simplified leaflets

▪ **Need a Tax Number?**

Register for eFiling and you will be automatically registered for personal income tax and receive a tax reference number

- For more information visit the:
 - SARS YouTube channel www.youtube.com/sarstax for our recordings
 - Small Business webpage on SARS website www.sars.gov.za
 - Book an online appointment via SARS website or send an SMS to 47277

*Thank you
Re a leboha
Re a leboga
Ndza Khensa
Dankie
Ndi a livhuwa
Ngiyabonga
Enkosi
Ngiyathokoza*