

# EXCISE

## EXTERNAL

# AD VALOREM EXCISE DUTY - ASSESSMENT OF VALUE AND CALCULATIONS FORMULAE

- a) Section 69 of the Act, as amended, along with the applicable Rules, provides the legislative detail for assessing the value for excise duty purpose on excisable goods manufactured in the Republic.
- b) Ad Valorem Excise duty due on all goods, except for the motor industry, is calculated on the invoice price paid or payable for the goods when:
  - i) Such goods are sold for home consumption in the ordinary course of trade;
  - ii) Such goods are sold in the condition and normal trade packing ready for sale in the retail trade;
  - iii) Such goods are sold to any buyers not deemed to be related as specified in Section 66(2)(a) under fully competitive condition;
  - iv) The cost of packing and packages, and all other incidental expenses for delivery to the purchaser are included [excluding Value Added Tax (VAT) and the relevant Ad valorem Excise duty]; and
  - v) Considering that industries that qualify for deductions in terms of Rule 69.01 may deduct such from the invoice price.
- c) Ad Valorem Excise duty due on motor vehicles is assessed on the 'Recommended Retail Price' (RRP) to the end user (excluding VAT and the relevant Ad valorem Excise duty).
- d) As per Section 69(1)(d)(ii), the value for duty purposes, when the buyer and seller are related, shall be the price of the goods sold by comparable traders in similar quantity levels to unrelated buyers at or about the same time as the sale was made to such related buyers (arm's length principle).
- e) When determining the invoice price or value for duty purposes, the following must be applied:
  - i) VAT is excluded from the nett invoice price for the purposes of calculating the Ad Valorem Excise duty due.
  - ii) The non-rebated excise duty payable as per Schedule 1 Part 2B is excluded from the nett invoice price for calculating the Ad Valorem Excise Duty due.
  - iii) The invoice price may be reduced by a percentage deduction prescribed by the Commission in Rule 69.01(a).
  - iv) No discounts may be deducted from the final invoice price of goods as listed in Rule 69.01(a)(i), for the purposes of calculating the Ad Valorem Excise duty.
- f) The invoice price or value for duty purposes must be rounded up to the nearest rand (i.e., R0.50 or more will be rounded up to R1.00). The actual Ad Valorem Excise duty must be rounded off to the nearest cent.
- g) Goods which hold no commercial value (e.g., samples shipped or provided to a buyer which can be used for promotional or test purposes, but which are not part of a sale to an end user) and are used

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and/or consumed by an end user locally requires that the value for Ad Valorem Excise duty must be determined.

- h) Where goods are sold or otherwise disposed of under such conditions that the value thereof cannot be ascertained or has been incorrectly ascertained, the Commissioner may in writing determine a value.
- i) Once the invoice price has been determined and all allowable deductions and discounts have been applied, the value thereof will be deemed as the value for Ad Valorem Excise duty purposes. The licensee must calculate the Ad Valorem Excise duty due by applying the rates of duty as prescribed in Schedule 1 Part 2B.
- j) The recommended retail price (RRP) is used to assess the Ad Valorem Excise duty on motor vehicles to the end user (excluding VAT and relevant Ad Valorem Excise duty). The RRP excludes the environmental levies in terms of Rule 54FB.01 and 54FC.01 respectively, when declaring the Ad Valorem Excise duty.
- k) Formulas and calculations to be applied when determining the Ad Valorem Excise Duty:

i) No deduction applicable - VAT and duty inclusive in invoice price (rate of duty at 7%)

A	B	C	D	E	F
<b>All inclusive (VAT and Excise duty) Invoice price</b>	<b>VAT Included @ 15%</b>  <b>(Col A x15/115)</b>	<b>VAT Exclusive Invoice Price</b>  <b>(Col A - Col B)</b>	<b>VAT and duty Exclusive Invoice Price</b>  <b>(Col C x 100/107)</b>	<b>Value for Ad valorem Excise duty</b>  <b>(Col C x 100/107)</b>	<b>Ad valorem Excise duty @ 7%</b>  <b>(Col E x 7%)</b>
R1 000.00	R 130.43	R 869.57	R 812.68	R 813	R 56.91

ii) No deduction applicable - VAT and duty inclusive in invoice price (rate of duty at 9%)

A	B	C	D	E	F
<b>All inclusive (VAT and Excise duty) Invoice price</b>	<b>VAT Included @ 15%</b>  <b>(Col A x15/115)</b>	<b>VAT Exclusive Invoice Price</b>  <b>(Col A - Col B)</b>	<b>VAT and duty Exclusive Invoice Price</b>  <b>(Col C x 100/109)</b>	<b>Value for Ad valorem Excise duty</b>  <b>(Col C x 100/109)</b>	<b>Ad valorem Excise duty @ 9%</b>  <b>(Col E x 9%)</b>
R1 000.00	R 130.43	R 869.57	R 812.68	R 798	R 71.82

iii) 20% deduction applicable - VAT and duty inclusive in invoice price (rate of duty at 9%)

A	B	C	D	E	F
<b>All inclusive (VAT and Excise duty) Invoice price</b>	<b>VAT Included @ 15%</b>  <b>(Col A x15/115)</b>	<b>VAT Exclusive Invoice Price</b>  <b>(Col A - Col B)</b>	<b>VAT and duty Exclusive Invoice Price</b>  <b>Col C x 100/107.2(100 - 20 = 80% x 9% = 7.2)</b>	<b>Value for Ad valorem Excise duty</b>  <b>[Col D x (100 - 20)]%</b>	<b>Ad valorem Excise duty @ 9%</b>  <b>(Col E x 9%)</b>
R1 000.00	R 130.43	R 869.57	R 811.17	R 649	R 58.41

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iv) 30% deduction applicable - VAT and duty inclusive in invoice price (rate of duty at 9%)

A	B	C	D	E	F
All inclusive (VAT and Excise duty) Invoice price	VAT Included @ 15%  (Col A × 15/115)	VAT Exclusive Invoice Price  (Col A - Col B)	VAT and duty Exclusive Invoice Price  Col C × 100/106.3(100 - 30 = 70% × 9% = 6.3)	Value for Ad valorem Excise duty  [Col D × (100 - 30)]%	Ad valorem Excise duty @ 9%  (Col E × 9%)
R1 000.00	R 130.43	R 869.57	R 818.03	R 573	R 51.57

v) 50% deduction applicable - VAT and duty inclusive in invoice price (rate of duty at 9%)

A	B	C	D	E	F
All inclusive (VAT and Excise duty) Invoice price	VAT Included @ 15%  (Col A × 15/115)	VAT Exclusive Invoice Price  (Col A - Col B)	VAT and duty Exclusive Invoice Price  Col C × 100/104.5(100 - 50 = 50% × 9% = 4.5)	Value for Ad valorem Excise duty  [Col D × (100 - 50)]%	Ad valorem Excise duty @ 9%  (Col E × 9%)
R1 000.00	R 130.43	R 869.57	R 832.12	R 416	R 37.44

vi) 55% deduction applicable - VAT and duty inclusive in invoice price (rate of duty at 7%)

A	B	C	D	E	F
All inclusive (VAT and Excise duty) Invoice price	VAT Included @ 15%  (Col A × 15/115)	VAT Exclusive Invoice Price  (Col A - Col B)	VAT and duty Exclusive Invoice Price  Col C × 100/103.15(100 - 55 = 45% × 7% = 3.15)	Value for Ad valorem Excise duty  [Col D × (100 - 55)]%	Ad valorem Excise duty @ 7%  (Col E × 7%)
R1 000.00	R 130.43	R 869.57	R 843.02	R 379	R 26.53

vii) 55% deduction applicable - VAT and duty inclusive in invoice price (rate of duty at 9%)

A	B	C	D	E	F
All inclusive (VAT and Excise duty) Invoice price	VAT Included @ 15%  (Col A × 15/115)	VAT Exclusive Invoice Price  (Col A - Col B)	VAT and duty Exclusive Invoice Price  Col C × 100/104.05(100 - 55 = 45% × 9% = 4.05)	Value for Ad valorem Excise duty  [Col D × (100 - 55)]%	Ad valorem Excise duty @ 9%  (Col E × 9%)
R1 000.00	R 130.43	R 869.57	R 835.57	R 376	R 33.84

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viii) Motor vehicles manufactured locally duty calculation:

A) Phase 1 of Calculation: Rate of Duty

I) RRP (Excluding VAT, less 20%)

II)  $RRP - VAT = R\ 100\ 000.00$

III)  $R\ 100\ 000.00$  Less 20% ( $R\ 20\ 000.00$ ) =  $R\ 80\ 000.00$

IV)  $(R\ 80\ 000.00 \times 0.00003) - 0.75$

V)  $2.400 - 0.75$

$1.650\%$  - Rate of duty

B) Phase 2 of Calculation: Excise Value

I)  $\frac{0.72 \times \text{Recommended Retail Price}}{1 + (0.72 \times \text{Rate } \%)}$

II)  $\frac{0.72 \times R\ 100\ 000.00}{1 + (0.72 \times 1.650\ \%)}$

$R\ 72\ 000.00$

$1 + 0.01188 = 1.01188$

=  $R\ 71\ 154.682$

=  $R\ 71\ 155$

C) Phase 3 of Calculation: Ad Valorem Excise duty

I) Excise Value  $\times$  Rate of Duty %

II)  $R\ 71\ 155 \times 1.650\ \%$

=  $R\ 1\ 174.06$  (Ad Valorem Excise Duty due to SARS)