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AD VALOREM EXCISE DUTY

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1 PURPOSE

- a) The purpose of this policy is to outline the liability and obligations for Ad Valorem Excise Duty in terms of the Act, as amended, including Schedule 1 Part 2B which specifies the goods on which duty is levied, each with its own applicable rate of duty.
- b) The Ad Valorem Excise duty is payable on certain locally manufactured goods and imported goods of the same class or kind.

2 POLICY STATEMENT

2.1 Liability for duty

- a) The goods on which Ad Valorem Excise Duty is imposed are listed in Schedule 1 Part 2B.
- b) A local manufacturer pays the duty specified under the Excise column of Schedule 1 Part 2B, whilst an importer of the same product must pay the duty specified in Schedule 1 Part 1 (ordinary Customs Duty normally levied on imported goods), as well as the duty specified under the Excise column in Schedule 1 Part 2B.
- c) Examples of such goods include (refer to Schedule 1 Part 2B for the full list of qualifying articles):
 - i) Air conditioning machines;
 - ii) TV sets and other electronic equipment;
 - iii) Motorcycles and motor vehicles;
 - iv) Firearms;
 - v) Cellular telephones; and
 - vi) Perfumes and skin care products.
- d) The licensing requirements of a special Customs and Excise Warehouse for Schedule 1 Part 2B purposes ("Ad Valorem warehouse") is outlined in SC-CF-19.

2.2 Ordinary Levy

- a) Ordinary Levy (OL) (Item 196.10 of Schedule 1 Part 8) provides for an ordinary levy to be paid in respect of dutiable goods listed in Schedule 1 Part 2B manufactured in the Southern African Customs Union (SACU) and sold ex a Customs and Excise warehouse to any of the bodies mentioned in the item.
- b) Bodies includes any department in the national or provincial sphere of government.
- c) The bodies noted in this item will have to pay duty, but this duty will be brought into account as an ordinary levy.

2.3 Declaration and Submission of Accounts

- a) All licensees must submit an EXD075: Ad Valorem Excise Duty Account to SARS in electronic format on a quarterly basis, as outlined in SE-ACC-05 and SE-ACC-02-M02.
- b) The account shall be presented and the duty due be paid to SARS on or before the 25th day of the month following the quarter to which the account relates.
- c) The specific submission and payment dates for each year is listed on the SARS website.
- d) In addition to the electronic submission of the EXD075 Account, licensees are required to complete and retain the legislated schedules to the Ad Valorem Excise Duty account as per Section 101 and its Rules.
- e) Only the Schedules applicable to the transactions completed for a specific quarter is required to be completed and retained by each licensee.

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- f) The specific schedules to be completed and retained for verification, as applicable, are as follows:
- i) DA 75/EXD075: Ad Valorem excise duty account/return. Summary of transactions and duty payable.
 - ii) DA 75.20: Schedule of excisable goods removed under rebate of duty in terms of items of Schedule 6 Part 2 of the Act, including exports.
 - iii) DA 75.22: Schedule of excisable goods removed in bond in terms of Section 18 of the Act.
 - iv) DA 75.24: Schedule of goods in respect of which duty has already been paid in terms of items 534.00 or 632.02 (as contained in the applicable Schedules to the Act).
 - v) DA 75.30: Schedule in respect of over and/or underpayments on previous accounts in terms of section 77 of the Act.
 - vi) DA 75.32: Schedule in respect of ordinary levy on excisable goods supplied to anybody, authority, institution, or person specified in item 196.10 of Schedule 1 Part 8 of the Act.
 - vii) DA 75.33: Schedule of ad valorem excise duty in respect of motor vehicles manufactured and removed from licensed premises.
- g) The assessment of value and calculation formulae for Ad Valorem Excise Duty purposes are outlined in SE-ADV-02-A01.

2.4 Rebates

- a) Schedule 6, Part 2 of the Act allows for the rebate of duty should certain specified conditions be met.
- b) Each rebate item is listed in Schedule 6 Part 2 of the Act along with the extent of the rebate and the conditions which must be complied with for such a rebate item to be claimed by said licensee.
- c) It is important to also take note of the Notes to Schedule 6 Part 2 of the Act which provides essential detail on each rebate item and its specific compliance conditions.

2.5 Set Off of Certain Amounts

- a) A licensee of a Customs and Excise warehouse who has paid any duty for which they were not liable for, may, subject to approval of the Commissioner, at any time within a period of two (2) years from the payment date set off such duty against the duty paid after becoming liable.
- b) Such set off must be accompanied by a full statement by such licensee giving full particulars and full account of circumstances in respect of such set-off.

2.6 Credit Returns

- a) The return of Schedule 1 Part 2B goods removed from a licensed premises will be allowed as a credit return in certain circumstances.
- b) The circumstances are limited to the following:
 - i) Non delivery (Goods were ordered, but not delivered). The invoice will be cancelled.
 - ii) Faulty delivery (e.g., Licensee ordered body lotion, but perfumes were delivered).
 - iii) Faulty order (Licensee incorrectly ordered skincare lotion when they should have ordered perfumes).
- c) Such credit return claims must be declared in the EXD075 Return and supported by verifiable documents substantiating such claims.
- d) No claims for damaged or goods to be reprocessed will be allowed.

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2.7 Tariff Determination

- a) It is imperative that all goods are accurately classified under the correct tariff item for calculation of the correct rate of duty, as outlined in SE-TDN-02.
- b) Where there is an uncertainty regarding the classification of a tariff item, an application for a tariff determination on form DA 314 may be submitted.

2.8 Third (3rd) Schedule Rebate Provisions (Fully or Partially Denatured, and Udenatured Spirits)

- a) Clients that qualify, in terms of Schedule 6 of the Act, for the industrial use of spirits or for the use of spirits in the manufacture of products other than liquor products must register with SARS as rebate users, as described in SC-CF-19, under Rebate Item 621.08. The manufacture of certain Schedule 1 Part 2B goods, specifically perfumery may include the industrial use of spirits.
- b) Users of fully denatured spirits are not required to register with SARS as rebate users under Rebate item 621.08.
- c) Recipients of udenatured or partially denatured spirits must register with SARS as rebate users, as described in SC-CF-19, under Rebate item 621.08 of Schedule 6 of the Act.

3 REFERENCES

3.1 Legislation

TYPE OF REFERENCE	REFERENCE
Legislation and Rules administered by SARS:	Customs and Excise Act No. 91 of 1964: Section 19, 21, 36A, 69, 77. Customs and Excise Rules: 21.04, 36A, 69.01 Customs and Excise Schedules: 1 Part 1, 1 Part 2B, 1, Part 8, 6 Part 2
Other Legislation:	None
International Instruments:	None

3.2 Cross References

DOCUMENT #	DOCUMENT TITLE
SE-ACC-02-M02	Declaration and Returns Submission via e-Filing – External Manual
SE-ACC-05	Submission of Accounts Returns – External Policy
SE-ADV-02-A01	Ad Valorem Value Determination – External Annex
SC-CF-19	Registration, Licensing and Designation – External Policy
SE-TDN-02	Tariff Determination – External Policy

4 DEFINITIONS AND ACRONYMS

Link for centralised definitions and acronyms: [Glossary A-M | South African Revenue Service \(sars.gov.za\)](https://sars.gov.za/glossary).