



# **TRADITIONAL AFRICAN BEER AND ALCOHOL POWDER PRODUCTS**

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## 1 PURPOSE

This policy relates to the commercial production chain of Traditional African Beer (TAB) and alcohol powder products for exclusive consumption within the Southern African Customs Union (SACU) region.

## 2 POLICY STATEMENT

### 2.1 Liability for duty

- a) Excise Duty on Traditional African Beer and Alcohol Powder Products is payable by manufacturers of these products throughout the SACU region.
- b) TAB includes:
  - i) TAB Powder;
  - ii) TAB made from sorghum; and
  - iii) TAB made from malt.

### 2.2 Type of warehouse and activities allowed in the TAB and Alcohol Powder Product industry:

The manufacturing of TAB and Alcohol Powder Products must take place in a licensed Special Manufacturing Warehouse (SVM), in which the following activities and movements may take place:

- a) Manufacture of TAB products and Alcohol Powder Products;
- b) Duty paid removals to the local market;
- c) Bonded removals to other Customs and Excise warehouses;
- d) Rebated removals; and
- e) Exports.

### 2.3 Production of TAB and Alcohol Powder Products

- a) In terms of Section 44(2), TAB becomes Excisable when it attains its essential character, which is when the product has fermented naturally to an alcoholic strength of more than 0.5% alcohol per volume (A/V) and is generally accepted as drinkable and/or fit for human consumption.
- b) This essential character of TAB is attained before filtration, stabilisation and bottling/packaging of the product.
- c) The basic raw material used for the manufacture of TAB produced from sorghum (TABS) is TAB powder and this powder is regarded as an Excisable product before fermentation.
- d) In order for the product to qualify as a TAB, the fermentation process must be natural and may not be stopped artificially.
- e) All raw materials used in the process of fermentation will be deemed capable of fermenting to an alcoholic strength exceeding 0.5% A/V.
- f) There is no prescribed method for establishing the quantity of undrinkable sediment left in bulk containers. However, the producer must monitor the quantity regularly and be able to show that the method they use gives fair results.
- g) Alcohol Powder Products are classified as preparations for use in the manufacturing of alcoholic beverages and are subject to the payment of Excise Duty if consumed within the Southern African Customs Union (SACU) region. SARS will collect the excise duty on these Alcohol Powder Products, as provided in Part 2A of Schedule No. 1 of the Act, from 1 October 2022.

h) **Restriction:**

- i) In the instance whereby the licensee of the SVM may want to perform other production operations, such as extracting alcohol from TAB through distillation, cone spinning/reverse osmosis, etc., the licensee must request approval from the Controller/Branch Manager.

**2.4 Assessment of Excise duty****2.4.1 Measure of dutiable quantity**

- a) The dutiable quantity of and Excise duty on sorghum powder is assessed on the total quantity, expressed in kilograms, rounded to the nearest full kilogram, of product removed to the local SACU market per accounting period.
- b) The dutiable quantity of and Excise duty on TAB made from malt (TABM) or sorghum powder (TABS) is assessed on the total bulk volume, expressed in litres, rounded to the nearest full litre, of product removed to the local SACU market per accounting period.
- c) A quantity/volume of 0.49 kilogram/litre or less must be rounded down to "0" and a quantity/volume of 0.5 or more must be rounded up to one ("1").
- d) 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 TAB and Alcohol Powder Products removed to the local market from the SVM.
- e) It is the responsibility of the licensee to monitor and control the filling of containers to ensure that over/under filling is prevented.
- f) 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 quantity/volume removed.
- g) 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.

**2.4.2 Rate of duty**

- a) The rate of duty to be used for the purpose of calculation of Excise duty for TAB and Alcohol Powder Products is the relevant rate of duty in terms of Schedule 1 Part 2A at time of entry for local (SACU) consumption.
- b) This could be at time of removal from the warehouse.

**2.4.3 Calculation of duty**

- a) Excise duty payable on sorghum powder and alcohol powder products is calculated using the following formula:

$$\text{Bulk quantity (Kilograms)} \times \text{relevant rate of duty} = \text{Excise duty}$$

- b) Excise duty payable on TAB made from malt (TABM) or sorghum powder (TABS) is calculated using the following formula:

$$\text{Bulk volume (Litres)} \times \text{relevant rate of duty} = \text{Excise duty payable}$$

#### 2.4.4 Duty Paid transactions.

- a) Removal of TAB and Alcohol Powder Products duty paid for consumption as TAB and Alcohol Powder Products in SACU is allowed only from the SVM.
- b) No relief of Excise duty (rebate or refund) exists for losses incurred after duty paid TAB and Alcohol Powder Products have left the warehouse.
- c) Excise duty is assessed per the EXD 260 as detailed below:
  - i) Excise duty is assessed on the total quantity of TAB and Alcohol Powder Products removed from the warehouse to the local SACU market during the accounting period.
  - ii) The relevant Excise duty is calculated by multiplying the dutiable quantity (kilogram/litres) by the relevant rate of Excise duty.
  - iii) 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 must be declared on the EXD 260.
  - iv) The total dutiable quantity of TAB and Alcohol Powder Products so removed during the accounting period, must be entered and submitted as per the EXD 260 to the local Controller/Branch Manager.

#### 2.4.5 Non-Duty Paid transactions.

- a) TAB and Alcohol Powder Products can be removed ex warehouse without payment of Excise duty in the following instances:
  - i) When TAB and Alcohol Powder Products are removed in bond to other licensed warehouses within SACU;
  - ii) When TAB and Alcohol Powder Products are entered under full rebate of duty; and/or
  - iii) When TAB and Alcohol Powder Products are exported to countries outside the SACU region.
- b) **Bonded movements** – TAB and Alcohol Powder Products may be removed ex a licensed warehouse in bond without payment of duty (i.e. duty suspension) to another licensed TAB warehouse in the SACU region for purposes of further manufacturing only.
  - i) **Movements to BELN countries:**
    - A) Bonded movements of TAB and Alcohol Powder Products will be allowed from licensed warehouses in South Africa (SA) to licensed warehouses within the BELN countries.
    - B) The consignor must complete a DA 32 prior to removal of the consignment of bonded TAB and Alcohol Powder Products from their premises and account for such consignment(s) per the EXD 01.
    - C) All other non-rebated movements of TAB and Alcohol Powder Products from SA to the BELN countries will be on a duty paid basis.
  - ii) **Movements from BELN countries:**
    - A) Bonded movements of TAB and Alcohol Powder Products will be allowed from licensed warehouses within the BELN countries to licensed warehouses in SA.
    - B) For all other movements of TAB and Alcohol Powder Products from these countries, proof of payment of Excise duty must be submitted at the port of entry into SA.
- c) **Rebated movements:**
  - i) TAB and Alcohol Powder Products 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 TAB and Alcohol Powder Products industry is found in Schedule 6. The most common rebates applicable to the TAB and Alcohol Powder Products industry are for:
    - A) **Manufacturing losses -**
      - i) Rebate Item 624.30 stipulates that Excisable goods in a Customs and Excise manufacturing warehouse and Excisable goods in the process of manufacture and removed from one (1) Customs and Excise manufacturing warehouse to another such warehouse, unavoidably lost in the manufacturing process or through

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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.

- II) The manufacturer must be able to show the actual volume of TAB lost during the normal manufacturing processes from their normal commercial records.
- III) 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, where appropriate, to industry norms.

**B) *Vis Major* losses –**

- I) The only losses deductible for duty purposes are those governed **by rebate item 624.50** of Schedule 6. It allows a full rebate of duty on goods in respect of which the Excise duty, together with the Fuel levy and RAF levy where applicable, amounts to not be less than R 2 500.
  - II) However, it must be proved to have been lost, destroyed, or damaged on any single occasion in circumstances of *vis major* or in such other circumstances, as the Commissioner deems exceptional. Furthermore, it should be noted that the circumstances contemplated as exceptional in this Rebate item would exclude robbery or theft.
  - III) A written application to the Commissioner requesting the allowance of such losses is required.
- C) *Destructions* –** Licensees may apply (in terms of Rebate Item 624.40) to the Controller/Branch Manager for the destruction of Excisable bonded TAB and Alcohol Powder Products in instances where a specific consignment of TAB and Alcohol Powder Products has lost all commercial value or sale of the specific consignment could be harmful to the industry.
- D) *Excisable goods on which the duty has been paid for*** use in the manufacture of other goods upon export of such manufactured goods in terms of Rebate Item 623.40.

**d) Exports**

- i) Export of TAB to destinations outside the SACU region will be allowed under rebate of duty and will be deemed to be duly exported/acquitted, only if the prescribed proof of export [original Customs endorsed copy of the processed export clearance declaration with procedure code H 68-47, original signed bill of lading, airway bill, rail note or road manifest etc.] is obtained by the licensee and submitted to the Controller/Branch Manager within thirty (30) days after the export clearance declaration was entered.

## **2.5 Duty paid returns from the local market**

### **2.5.1 Traditional African Beer (TAB), which is off-specification or has become contaminated, or has undergone post-manufacturing deterioration.**

- a) TAB made from sorghum or malt which is off-specification or has become contaminated or has undergone post-manufacturing deterioration may be returned to a Customs and Excise manufacturing warehouse for destruction, 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 a Customs and Excise warehouse and that the goods are returned to such warehouse within this period.
- b) The provisions of Rebate Item 619.03 shall apply in respect of TAB made from sorghum or malt –
  - i) In the case of TAB made from sorghum or malt under the control of the manufacturer;
  - ii) In the case of TAB made from sorghum or malt returned as produced from the same batch(es);
  - iii) In the case of TAB made from sorghum or malt returned in the originally sealed containers for wholesale or similar packaging.

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- c) If the Commissioner approves the application, any TAB made from sorghum or malt returned in terms of Rebate Item 619.03 shall be –
- i) Kept intact and entirely separate from any other goods or materials until it has been examined and identified by an Officer; and
  - ii) Unpacked, where applicable, and transferred to and mixed with stocks of materials for processing, under supervision of an Officer; or
  - iii) Destroyed under supervision of an Officer.
- d) The licensee of a Customs and Excise manufacturing warehouse to which such products are returned for destruction 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;
  - iii) The date of receipt;
  - iv) The name or registered business name (if any) and the physical address of the person from whose premises the products concerned were returned; and
  - v) The delivery note under cover of which such products were returned.

## 2.6 Set-off.

- a) For the purpose of Section 75(11A), the licensee of the Customs and Excise manufacturing warehouse must produce proof of the rate of Excise duty paid or payable on the products for destruction in accordance with the provisions of Rebate Item 619.03.
- b) If the licensee is unable to produce such proof, 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 a period of twelve (12) months prior to the date of the examination contemplated.
- c) The licensee of such warehouse may, after destruction of the products concerned, and on accounting for the goods 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 any such account during a period of two (2) years after receipt of the goods for destruction, as the case may be.
- d) The amount to be set-off shall be calculated in the following manner:

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

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

## 3 REFERENCES

### 3.1 Legislation

TYPE OF REFERENCE	REFERENCE
Legislation and Rules administered by SARS:	<b>Customs and Excise Act No. 91 of 1964:</b> Sections 18A, 20, 27, 38(4), 44(2), 47A(1), 101 and 119A <b>Customs and Excise Rules:</b> 18A.01 – 18A.07, 20.14, 20.17, 27.01 - 27.13, 60.08(2), 101.01 – 101.02, 101A.12 and 119A.R101A(10)(d) <b>Customs and Excise Tariff:</b> Additional Note 1 to Chapter 22, , Schedule 1 Part 2A and 6 <b>Tax Administration Act No. 28 of 2011:</b> Sections 215 to 220 and 224
Other Legislation:	<b>Liquor Products Act No. 60 of 1989:</b> Sections 11 and 17. <b>Agricultural Product Standards Act No. 119 of 1990:</b> Sections 3 and 5 <b>Standards Act No. 29 of 1993:</b> Section 22(1)(a)(i) and 8
International Instruments:	<b>None</b>

## 3.2 Cross References

DOCUMENT #	DOCUMENT TITLE
SE-ACC-07	Manage eAccounts on eFiling – External Guide
GEN-PAYM-01-G01	SARS Payment Rules – External Guide
SC-CA-02	Internal Administrative Appeal - External Policy
SC-CC-26	Alternative Dispute Resolution – External Policy
SE-ACC-08	Declaration and Return Submission via e-Filing – External Guide
SE-ACC-05	Submission of Accounts>Returns – External Policy
SE-APL-02	Internal Administrative Appeal – External Policy
SE-BON-02	Bonds – External Policy
SE-CON-02	Clearance of Bonded/Inter-Warehouse movements – External Policy
SE-GEN-02	Accounting for Duty – External Policy
SE-GEN-03-G01	Introduction to Excise duties, Levies and Air Passenger Tax – External Guide
SC-CF-19	Registration, Licensing and Accreditation - External Policy
SE-MB-02	Malt Beer – External Policy
SE-OFB-02	Other Fermented Beverages – External Policy
SE-PAY-02	Prescribed Payment Rules – External Policy
SC-DT-C-13	Refunds and Drawbacks – 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)

## 5 DOCUMENT MANAGEMENT

Business Owner	Director: Customs Border Operations, Ports of Entry & Customs Compliance
Author	JG Rossouw
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