

EXCISE
EXTERNAL POLICY
SPIRITS

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1 SUMMARY OF MAIN POINTS

- a) The policy applies to role-players in the Spirits Industry.
- b) This policy does not cover:
 - i) SARS Payment Rules as this is dealt with in document GEN-PAYM-01-G01;
 - ii) Declaration and Return submission via eFiling as this is dealt with in document SE-ACC-02-M02;
 - iii) Submission of Accounts / Returns as this is dealt with in document SE-ACC-05;
 - iv) Bonds as this is dealt with in document SE-BON-02;
 - v) Clearance of movements as this is dealt with in document SE-CON-02;
 - vi) Accounting for Duty / Levy as this is dealt with in document SE-GEN-02;
 - vii) Licensing and Registration requirements as this is dealt with in document SE-LR-02;
 - viii) Prescribed payment Rules as this is dealt with in document SE-PAY-02;
 - ix) Refunds as these are dealt with in document SE-REF-02.

2 POLICY

2.1 Liability for duty

- a) Spirits manufactured from base products (e.g. grapes / wine, sugar cane / molasses, grain or other products) are liable for payment of Excise duty in South Africa.
- b) The liability for Excise duty in the spirits industry is assessed and the duty collected on a duty at source (DAS) basis.
- c) In terms of the Southern African Customs Union (SACU) agreement, the governments of South Africa, Botswana, Eswatini (Swaziland), Lesotho and Namibia agreed, amongst other things, to broadly apply the same Excise duty principles in order to reduce trading and compliance costs for businesses within the SACU. The DAS system of assessing Excise duty and accounting for Excisable products, and its principles, is an example of such a commonly applied system / principle.

2.2 Section 47

- a) Every manufacturer or importer of an alcoholic beverage must, 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 came 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, an application for a new tariff determination shall be made before release of a clearance for home consumption or before removal from the 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.

2.3 Types of warehouses allowed in the Spirits industry:

2.3.1 Excise Manufacturing Warehouse (VMP and VMS)

- a) The manufacture of spirituous products takes place in one (1) of the following two (2) manufacturing warehouses:
 - i) **Primary Manufacturing Warehouse (VMP) -**
 - A) A VMP license will only be issued if the manufacture of spirits from the distillation of base products and / or re-distillation of such spirits takes place on the premises.
 - B) The following activities and movements may take place in a spirits VMP warehouse:
 - I) Manufacturing (distillation) of spirits;
 - II) Further / re-distillation of spirits (including gin distillation);
 - III) Maturation of spirits;
 - IV) Maceration of spirits;
 - V) Mixing of the same types of spirits to achieve consistent quality;
 - VI) Bonded removals to other licensed Customs and Excise spirits warehouses;
 - VII) Exports;
 - VIII) Rebated removals;
 - IX) Duty paid removals; and
 - X) Blending of brandy ("Solera" process).
 - C) With reference to (X) above, blending of spirits to produce a spirituous beverage is normally not allowed in the VMP, as this has to take place in the VMS (see below). However, such blending to produce brandy in terms of the "Solera" process will be allowed in the VMP. The process in the VMP basically entails the following:
 - I) Spirits are produced / distilled;
 - II) The spirits are blended with matured spirits;
 - III) The blended spirits are further matured for a period of at least six (6) months; and
 - IV) The further matured blended spirits are removed, with the normal removal documentation, to the VMS for final blending of the spirituous beverage ("Solera Brandy").
 - D) An installation where only maturation of spirits takes place will not be licensed as a VMP warehouse, but will be regarded as an extension of the VMP warehouse of that company, provided it is in the same Controller's / Branch Manager's area as the VMP.
 - ii) **Secondary Manufacturing Warehouse (VMS) -**
 - A) A VMS license will only be issued if blending of spirits to produce a spirituous beverage takes place on the premises.
 - B) The following activities and movements may take place in a spirits VMS warehouse:
 - I) Blending of spirits to obtain a drinkable / potable liquor product;
 - II) Stabilising of spirits;
 - III) Bottling and / or packaging of spirits;
 - IV) Bonded removals of blended spirits (liquor) to a licensed Special Storage Warehouse (SOS) spirits warehouses;
 - V) Exports;
 - VI) Rebated removals; and
 - VII) Duty paid removals.
 - C) An installation where only stabilisation, bottling and / or packaging of spirits takes place will not be licensed as a VMS warehouse, but will be regarded as a duty paid facility.

2.3.2 Special Storage Warehouse (SOS) for limited purposes only

- a) A SOS may be licensed in the spirits industry for the following limited purposes only:

- i) Export;
 - ii) Duty Free Shop and / or Ships / Aircraft Chandler;
 - iii) Supply of spirits (liquor) to Duty Free Shops and / or Ships / Aircraft Chandlers;
 - iv) Denaturing of spirits;
 - v) Packing and / or re-packing of spirits for supply to registered rebate users for industrial / non-liquor use; and
 - vi) Supply of **spirits** to registered rebate users for industrial / non-liquor use.
- b) Spirits warehoused in SOS warehouses may not (without written approval from the Commissioner for SARS) be removed to the SACU market for duty paid use as liquor. Products stored in such warehouses are intended solely for export / eventual consumption outside the SACU and / or for industrial / non-liquor use.

2.3.3 Special Storage Warehouse (SOS) for export

- a) Exporters of spirituous products may apply for a SOS license. The license will enable the licensee to receive and export bonded spirituous products under duty suspension.
- b) The following activities and movements may take place in a spirits SOS warehouse licensed for export only:
- i) Exports; and
 - ii) Rebated removals.

2.3.4 Special Storage Warehouse (SOS) licensed as a Duty Free Shop and / or Ships / 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 spirits SOS warehouse licensed as a Duty Free Shop and / or Ships / 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 other SOS warehouses licensed as Duty Free Shops and / or Ships / Aircraft Chandlers; and
 - iii) Exports.

2.3.5 Special Storage Warehouse (SOS) licensed to supply Duty Free Shops and/or Ships/Aircraft Chandlers

- a) Manufacturers of spirituous products may apply to license a SOS for the sole purpose of supplying Duty Free Shops and / or Ships / Aircraft Chandlers with spirituous products.
- b) The following activities and movements may take place in a spirits SOS licensed to supply spirits to a Duty Free Shop and / or Ships / Aircraft Chandler:
- i) Bonded removals to licensed Duty Free Shops and / or Ships / Aircraft Chandlers;
 - ii) Exports; and
 - iii) Rebated removals.

2.3.6 Special Storage Warehouse (SOS) for denaturing of spirits

- a) Any person may apply to license a SOS for the denaturing of spirits for supply to other intermediate suppliers (SOS warehouses), registered rebate users or for export.
- b) The following activities and movements may take place in a spirits SOS warehouse licensed for denaturing of spirits:
- i) Denaturing of spirits;
 - ii) Bonded removals to intermediate suppliers (SOS warehouses for packing / repacking of spirits);

- iii) Exports; and
- iv) Rebated removals to registered rebate users for industrial / non-liquor use.

2.3.7 Special Storage Warehouse (SOS) licensed as an intermediate supplier for packing and / or re-packing of spirits

- a) Any person may apply to license a SOS for packing and / or re-packing of spirits for supply to registered rebate users for industrial / non-liquor use.
- b) The following activities and movements may take place in a spirits SOS warehouse licensed as an intermediate supplier for packing and / or re-packing of spirits:
 - i) Packing and / or re-packing of spirits;
 - ii) Export of packed spirits; and
 - iii) Rebated removals of packed spirits to registered rebate users for industrial / non-liquor use.

2.3.8 Special Storage Warehouse (SOS) licensed to supply registered rebate users

- a) Any person may apply to license a SOS for the storage of **spirits** or supply to registered rebate users.
- b) The following activities and movements may take place in a spirits SOS licensed for the storage of **and supply** to registered rebate users:
 - i) Exports; and
 - ii) Rebated removals to registered rebate users for industrial / non-liquor use.

2.4 Production of Spirits

- a) In terms of Section 44(2), spirits become Excisable when it attains its essential character, which is when the base product is distilled to an alcoholic strength of 0.5% alcohol per volume (A/V) or more.
- b) This essential character of spirits is attained immediately after the distillation or extraction processes described above and thus before the blending process.

2.5 Keeping of records

- a) The licensee of a **VMP** 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;
 - x) Disposal of such duty paid stock; and
 - xi) Exports.
- b) The licensee of a **VMS** warehouse 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;
 - vi) Returns of duty paid stock;
 - vii) Disposal of such duty paid stock; and
 - viii) Exports.

- c) The licensee of a **SOS** warehouse 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) All licensees are required to maintain and keep records of all production of spirits and of all raw materials intended for use in the production of spirits received into the warehouse. Such records must afford the SARS traceability from the final production back to the input raw materials and such records must be made available on request.
- e) A licensee may keep electronic records if it can be readily converted into hard (paper) copies and made available to SARS when required / requested.
- f) 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 Promotion of Administrative Justice Act

- a) The Promotion of Administrative Justice Act (PAJA) No. 3 of 2000 gives effect to everyone's right to administrative action that is lawful, reasonable and procedurally fair. Any person whose rights have been adversely affected by administrative action has the right to be given written reasons. As contemplated in Section 33 of the Constitution of the Republic of South Africa, 1996. PAJA:
 - i) Provides for the review of administrative action by a court or where appropriate, an independent and impartial tribunal;
 - ii) Imposes a duty on the State to give effect to those rights;
 - iii) Promotes an efficient administration as well as good governance; and
 - iv) Creates a culture of accountability, openness and transparency in the Public Administration or in the exercise of a public power or the performance of a public function, by giving effect to the right to just administrative action.
- b) Administrative action, which significantly and unfavourably affects the rights or valid expectations of any person, must be procedurally fair. A fair administration procedure depends on the circumstances of each case.
- c) A person must be given:
 - i) Written notice of the nature and purpose of the proposed administrative action;
 - ii) A reasonable opportunity to make representations;
 - iii) A clear statement of the administrative action; and
 - iv) Adequate notice of any right of review or internal appeal, where applicable.
- d) Before administrative action can be taken by Excise, the client must be allowed the opportunity to:
 - i) Obtain assistance and, in serious or complex cases, legal representation;
 - ii) Present and dispute information and arguments; and
 - iii) Appear in person.

- e) Just administrative action requires Excise Officers to consider all the facts presented and obtained in addition to affording the client the opportunity to be heard, prior to instituting any administrative action.
- f) Clients whose rights have been significantly and unfavourably affected by administrative action and who have not been given reasons for the action may, after the date on which the client became aware of the action, request Excise to furnish written reasons for the action.
- g) Excise must after receiving the request, give the client adequate reasons in writing for an administrative action. It must, subject to subsection (4) of the Promotion of Administrative Justice Act 3 of 2000 and in the absence of proof to the contrary, be presumed in any proceedings for judicial review that the administrative action was taken without good reason.

2.8 Appeal against decisions

- a) In cases where clients are not satisfied with any decision taken in terms of the 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 [SE-APL-02](#).
- 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.

2.9 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 the spirituous beverages shall be -
 - i) For which no tariff determination was issued prior to 1 April 2015 -
 - A) Entered under subheading 2208.90, within a period of six (6) months.
 - B) Liqueurs and cordials entered under subheading 2208.70 after a period of twelve (12) months, but within a period of eighteen (18) months.
 - C) All other classes or kinds of spirituous 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.

2.10 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 spirituous beverages, 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) **Excise accounts must be retained by the client for audit purposes and must be available on request.**
- d) All columns and boxes on the Excise account and account schedules must be completed.

- e) 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.
- f) 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.
- g) If any schedule is not required for that specific accounting period, the applicable schedule does not have to be completed.
- h) 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).
- i) 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.
- j) Each schedule to the Excise account also serves as a continuation sheet for that specific schedule.
- k) 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.
- l) **The DA260 excise account is used to complete the EXD 01 excise return.**
- m) The date of submission will be the date that a licensee submits a fully and properly complete EXD 01 as described above.
- n) **Primary Manufacturing Warehouse (VMP) -**
 - i) All licensees of VMP warehouses must submit an EXD 01, monthly, to the local Controller / Branch Manager in whose area the warehouse is licensed.
 - ii) The Spirits VMP 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.

o) Secondary Manufacturing Warehouse (VMS) -

- i) All licensees of a VMS must submit an EXD 01, monthly, to the local Controller / Branch Manager in whose area the warehouse is licensed.
- ii) The VMS Excise account consists of the following:

DA 260	Excise Account	Summary
DA 260.02	Excise Account Schedule	Receipts from Customs and Excise Warehouses
DA 260.03	Excise Account Schedule	Receipts of Blended Product
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.

p) **Special Storage Warehouse (SOS) –**

- i) All licensees of SOS warehouses except such SOS warehouses licensed as a Duty Free Shop and / or Ships / Aircraft Chandler must submit an EXD 01, per calendar quarter, to the local Controller / Branch Manager in whose area the warehouse is licensed.
- ii) The Spirits 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 260.03	Excise Account Schedule	(Un-packed) 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.

2.11 Assessment of Excise duty

2.11.1 Measure of dutiable quantity

- a) The dutiable quantity of and Excise duty on spirits / spirituous products is assessed on the total alcohol contained in the product, expressed in litres of absolute alcohol (LAA) rounded off to the second decimal point, contained in the total bulk volume of product removed to the local SACU market per accounting period.
- b) For duty purposes:
 - i) The bulk volume of spirits is rounded to the second decimal point; i.e. where the third decimal point is less than .005, it is rounded down to .00 and where the third decimal point is .005 or more, it is rounded up to .01, and
 - ii) The alcoholic strength (i.e. the percentage of alcohol in the spirits by volume A/V) is rounded to the first decimal point; i.e. where the second decimal point is less than .05, it is rounded down to .0 and where the second decimal point is .05 or more, it is rounded up to 1.
- c) For purposes of assessing the relevant Excise duty, the SARS must accept the alcoholic strength and 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 spirits removed to the local market (VMP) or received into the VMS.
- d) It is the responsibility of the licensee to monitor and control the alcoholic strength of spirits produced and removed / received as well as the filling of containers to ensure that the target average A/V of the product is not exceeded and that over / under filling is prevented.
- e) 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 LAA removed / received.
- f) 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.

2.11.2 Rate of duty

- a) 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 at time of entry (removal) from the warehouse for local (SACU) consumption.

2.11.3 Calculation of Excise duty

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

Bulk volume (Litres) × A/V = LAA

LAA × relevant rate of duty = Excise duty payable

2.11.4 Duty Paid transactions

- a) Removal of spirits duty paid for consumption as liquor in the SACU is allowed only from VMP and VMS warehouses.
- b) No relief of duty (rebate or refund) exists for losses incurred after duty paid spirits have left the manufacturing warehouse.
- c) Excise duty is assessed per the EXD 01, as detailed below:
 - i) **VMP warehouse:**
 - A) Excise duty is assessed on the total LAA contained in the total bulk volume of spirits removed from the warehouse to the local SACU market during the accounting period.
 - B) The relevant Excise duty is calculated by multiplying the dutiable total LAA by the relevant rate of Excise duty.
 - C) Removals from the VMP 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 spirits so removed during the accounting period must be entered per the EXD 01.
 - ii) **VMS warehouse:**
 - A) Excise duty is assessed on the total LAA contained in the total bulk volume of spirits received into the warehouse during the accounting period -
 - I) **Less** a fixed allowance for losses in the warehouse of 1.5%; and
 - II) **Less** the total quantity, expressed in LAA, of non-dutiable removals from the warehouse during that accounting period.
 - B) The relevant Excise duty is calculated by multiplying the net dutiable total LAA by the relevant rate of Excise duty.
 - C) Receipts into the VMS entered per Customs Clearance Declaration (CCD) with procedure code E 46-45 per batch and / or consignment and must be declared on DA 260.02 - Excise Account Schedule (Receipts from Customs and Excise Warehouses) and accounted for per the EXD 01.
 - D) After the allowable deductions are made, as described above, the net total, dutiable quantity of spirits so received during the accounting period must be entered on the EXD 01.

2.11.5 Non Duty Paid transactions

- a) Spirits can be removed ex warehouse without payment of Excise duty in the following instances:
 - i) When spirits are removed in bond to other licensed warehouses within the SACU;
 - ii) When spirits are entered under full rebate of duty; and / or
 - iii) When spirits are exported to countries outside the SACU.
- b) **Bonded Movements**
 - i) Spirits may be removed ex a licensed warehouse in bond without payment of Excise duty (i.e. duty suspension) to another licensed spirits warehouse in the SACU.
 - ii) **Movements between VMP warehouses:**
 - A) Bonded movements of spirits between VMP warehouses will only be allowed for the following specified purposes:
 - I) Re-distilling of spirits (including gin distillation);
 - II) Maturation of spirits;
 - III) Maceration of spirits; and
 - IV) Mixing of the same types of spirits in order to obtain consistent quality standards.

- iii) **Movements from a VMP to a VMS warehouse:**
- A) Bonded movements of spirits from a VMP to a VMS warehouse will only be allowed for blending such spirits, in that designated VMS warehouse, to obtain a drinkable liquor product / spirituous beverage.
 - B) Rule 19A3.03 (b)(i) states that "... all spirits received in the VMS ... from a VMP ... shall be deemed to have been entered for home consumption ..." and Rule 19A3.03 (b)(ii) states that "... stock account in respect of all the spirits received in a VMS ... shall ... be deemed to be due entry of such spirits".
 - C) This means that bulk spirits removed from the VMP and received/duly entered in the VMS (officially cleared) are dutiable / duty assessed and deemed to be duty paid before the start of the blending process.
 - D) In order to give effect to (i) above, SARS however still has an interest in such "duty paid" / duty assessed stock and the liability of the VMS licensee is only acquitted after such licensee has complied with that requirement.
- iv) **Movements from a VMP to a SOS:**
- A) Bonded movements of spirits between VMP and SOS warehouses will only be allowed for the following specified purposes:
 - I) Denaturing of spirits;
 - II) Packing and / or re-packing of spirits for supply to registered rebate users;
 - III) Supply to Duty Free Shops and Ships / Aircraft Chandlers;
 - IV) Storage for supply to Duty Free Shops and Ships / Aircraft Chandlers; and
 - V) Storage for export of such spirits.
- v) **Movements from a VMS to a SOS:**
- A) Bonded movements of spirits (drinkable liquor/spirituous product) between VMS and SOS warehouses will only be allowed for the following specified purposes:
 - I) Supply to Duty Free Shops and Ships/Aircraft Chandlers;
 - II) Storage for supply to Duty Free Shops and Ships/Aircraft Chandlers; and
 - III) Storage for export of such spirits.
- vi) **Movements between SOS Warehouses:**
- A) Bonded movements of spirits between SOS warehouses will only be allowed for the following specified purposes:
 - I) Supply of spirituous beverages to Duty Free Shops and Ships / Aircraft Chandlers;
 - II) Packing and / or re-packing of denatured spirits; and
 - III) Storage for export of denatured spirits.
 - B) Licensees of SOS warehouses may apply in writing to the local Controller / Branch Manager for removal of residue of denatured spirits ("slops") from such SOS to a VMP for re-processing of such spirits residue.
- vii) **Movements to BELN Countries**
- A) Bonded movements of spirits will be allowed from licensed warehouses in South Africa to licensed warehouses within the BELN countries.
 - B) The consignor must submit a duly completed CCD with procedure code E 45-00 to the Controller / Branch Manager prior to removal of the consignment of bonded products from his / her premises.
 - C) All other non-rebated movements of spirituous products from South Africa to the BELN countries will be on a duty paid basis.
- viii) **Movements from BELN Countries**
- A) Bonded movements of spirits from licensed warehouses within the BELN countries to South Africa will be allowed.
 - B) For all other movements of spirits from these countries, proof of payment of Excise duty must be submitted at the port of entry into South Africa.
- c) **Rebated movements**
- i) Spirits 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 spirits industry is found in Schedule 6.
 - iii) **Manufacturing losses -**
 - A) Rebate Item 624.30 of Schedule 6 stipulates that Excisable goods in a VMP warehouse and Excisable goods in the process of manufacture and removed from one (1) VMP 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 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 spirits 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 and removals between VMP 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 circumstance 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 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 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 duty is not insured by an insurance company. Should the duty be insured as well, it must be paid over to the SARS.
 - D) If any of the above conditions cannot be met by the applicant, the application cannot be entertained and the duty due must be brought to account.
 - E) Also, refer to Note 4 to Section G of Schedule No. 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 spirits in instances where a specific consignment of spirits has lost all commercial value or sale of the specific consignment could be harmful to the industry.
 - B) If, however, the specific consignment still has commercial value and the sale of the specific consignment will not be harmful to industry, the Controller / Branch Manager may insist on the licensee abandoning the consignment to SARS for subsequent sale or other application by SARS in order to at least recover the monetary value of the relevant Excise duty.
- vi) **Spirits used for fortification of wine -** Spirits may be supplied from a VMP to a licensed wine SVM under full rebate of duty for the purpose of fortification of wine.
- vii) **Spirits used for industrial purposes or in the manufacture of non-liquor products -**
- A) Spirits may be supplied under rebate of duty to registered rebate users for industrial use or for use in the manufacture of other non-liquor products. Such spirits must be used for the purpose described in the provisions of the specific Rebate Item under which it is entered for home consumption.
 - B) Failure by the supplying licensee to provide proof that the spirits (except for fully denatured spirits, including spirits, which attained the characteristics of fully, denatured spirits during the manufacturing process) was delivered to a registered rebate user will render such supplying licensee liable for payment of the full relevant Excise duty.
 - C) "Fully denatured" spirits include all spirits as defined in the notes to Rebate Item 621.08 and examples thereof are Methylated spirits, Foundry spirits, Solvents, and Thinners.
 - D) Failure by the registered rebate user to provide proof that the spirits were used for the purpose described in the provisions of the specific Rebate Item under which it was received, will render the registered rebate user liable for payment of the full relevant Excise duty.

d) **Exports**

- i) Export of spirits 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 CCD endorsed copy of the processed export CCD with procedure code **H68-00 / F52-00**, original signed bill of lading, airway bill, rail note or road manifest) is obtained by the licensee and submitted to the Controller / Branch Manager within thirty (30) days after the export CCD declaration was entered.
- ii) Failure by the licensee to submit such proof of export, within thirty (30) days after the date of processing of the export CCD, will render the licensee liable for payment of the relevant Excise duty.
- iii) **In terms of Rule 19A3.03(h), the quantity of spirits in spirituous beverages removed in bond or exported from a VMS warehouse after entry or deemed entry for home consumption may, after liability has ceased as contemplated in Rule 19A.09, be deducted from the quantity of spirits received in such VMS warehouse and accounted for on the DA 260 for payment of Excise duty in any subsequent month. Provided the licensee proves that the rate of duty applicable at the time the spirits were so entered and removed or exported is the same as the rate applicable to the quantity of spirits so accounted for on the relevant form DA 260 for payment of Excise duty.**
- iv) **Where the licensee produces such proof and such rate differs, an appropriate adjustment must be made on form DA 260 in respect of the Excise duty payable.**
- v) **The licensee is therefore required to know which quantities were assessed in the period before the rate change and should then, if declared as an export or bonded removal, post the rate change period, bring the difference in Excise duty to account in the "underpayment" column on the VMS DA 260 Excise account.**
- vi) **Where the licensee is unable to produce proof of such rate of duty in respect of the spirits so removed in bond or exported, the lowest rate applicable during a period of twelve (12) months prior to the date on which the spirits were so entered for removal in bond or for export, must, for the purposes of Section 75(11A), be used for determining any adjustment to the Excise duty payable for such accounting month.**

e) **Re-importation**

- i) Locally manufactured spirits 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;
 - D) The rate of Excise duty in force at the time of entry for home consumption from such warehouse is paid thereon; and
 - E) The Excise duty is collected as per normal excise accounting processes.

f) **Movements from a SVM to a VMS –**

- i) Procedure for fermented alcohol:
 - A) Wine is manufactured or received in the SVM warehouse.
 - B) The wine is stripped of its character by means of various methods and thus becomes a spirit of tariff item 104.23.28.
 - C) The stripped wine (spirits), converted to LAA is received into the VMS on strength of a CCD with procedure code ZGR in terms of Rebate Item 621.17 / 104.23.28, and entered on the DA 260.02 as unblended spirits of less than 80% by volume.
 - D) A provisional entry (DA 32) indicating the ingredients and quantities to form part of the blending process must be completed.
 - E) Cane spirits are removed in bond from the VMP in which it was manufactured on a CCD with procedure code E 45-00 and received and acquitted with a CCD with procedure code E 46-45 and entered on the schedule DA 260.02 of the VMS 110 days EXD 01.
 - F) A fixed loss allowance of 1.5% of the stripped wine (spirits) [(refer to Rule 19A3.03 (d)(i)(bb))] and the cane spirits can be claimed on receipt thereof into the VMS.

- G) Upon completion of the blending process, the final product is transferred to tariff item 104.23.27 on the DA 260.03 of the VMS Excise account, which will represent the LAA on which Excise duty, is to be paid.
- ii) Fortified wine used in the manufacture of brandy:
- A) Fortified wine is manufactured in the SVM.
- B) The fortified wine is rebated in terms of rebate item 620.09 / 104.15.09 / 01.01.
- C) A DA 32 removal certificate must be used as the removal document from the SVM warehouse and is acquitted by means of the receiving warehouse, VMS, signing the acknowledgement of receipt.
- D) The DA 32 removal certificate must reflect the quantity of fortified wine in litres, the alcoholic strength of the fortified wine as well as the litres of absolute alcohol.
- E) The fortified wine is thus removed under rebate of duty directly to the VMS where the blending takes place.
- F) The quantity of fortified wine must be expressed in litres absolute alcohol on the DA 260.03. (Receipts of Blended Product) of the 110 day VMS account in the column <80 (104.23). This quantity of fortified wine must also be reflected on the provisional DA 32 certificate (PV).
- G) The quantity of fortified wine must be transferred onto the DA 260.04A transfer sheet for the production of brandy in the <80 (104.23) column.
- H) The brandy spirits and the fortified wine (total volume of product including the fortified wine) must be brought in on the DA 260.03 of the 130-day VMS account. The 1.5% fixed loss allowance would already have been deducted on the spirits 110 day VMS account.
- I) The duty will thus be paid on the final volume of product manufactured.
- J) Neither the 0, 25% transport loss allowance nor the 1, 5% fixed loss allowance can be claimed on the fortified wine which is removed to the VMS.
- iii) Alcohol extraction procedure:
- A) Wine and Other Fermented Beverages (OFB) are manufactured or received in the SVM warehouse and beer is manufactured or received in the VM warehouse.
- B) The wine, OFB or beers are subjected to the alcohol extraction process, which renders a low alcohol wine, OFB or beer or a non-alcoholic beverage.
- C) The ethanol by-product rendered from the alcohol extraction process is regarded as a spirit classifiable under tariff heading 22.08.
- D) The ethanol by-product, of tariff items 104.21.01 (more than 80% A/V), 104.23.04 or 104.23.28 (less than 80% A/V), converted to LAA is received into either:
- I) VMP warehouse for re-distillation;
- II) VMS warehouse for blending into a spirituous beverage; or
- III) SOS for export or for supply of fermented ethyl alcohol to registered rebate users.
- iv) The accounting procedure for the receipt of ethanol by-product which is obtained from a process of extraction, as a consequence of the manufacture of non-alcoholic beverages is as follows:
- A) The ethanol by-product is received into the warehouse on form CEB 01, with purpose code ZGR.
- B) Receipt of the ethanol by-product into 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 / 104.23.04 (wine) or 621.33 / 104.23.28 (OFB/beer) for fermented ethyl alcohol being the by-product from a process of extraction (alcohol strength by volume of less than 80%).
- C) The conversion of litres into litres absolute alcohol (AA) is indicated on the CEB 01 with purpose code ZGR.
- D) **VMP:** The ethanol by-product, once re-distilled must be entered on the DA260.01 as production of spirits.
- E) **VMS:** The by-product converted to LAA is received into the VMS on strength of the CCD with purpose code ZGR, and entered on the DA 260.02 as unblended spirits.
- F) A certificate (DA 32) indicating the ingredients and quantities to form part of the blending process in which the ethanol by-product will be used must be completed.
- G) Receipt of ethanol by-product into 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

- II) CEB01, with purpose code ZGR in terms of rebate item 621.37 / 104.23.04 (wine) or 621.37 / 104.23.28 (OFB / beer) for fermented ethyl alcohol being the by-product from a process of extraction (alcohol strength by volume of less than 80%).
- H) The conversion of litres into litres absolute alcohol (AA) is indicated on the CEB 01 with purpose code ZGR.
- I) The ethanol by-product converted to LAA is received into the SOS on strength of the CCD with purpose code ZGR, and entered onto the DA 260.02.
- J) The SOS may either export the ethanol by-product or provide it to registered rebate users for industrial or non-liquor use in terms of Rebate Item 621.08.
- v) The accounting procedure for the receipt of ethanol by-product from a process of extraction, as a consequence of the manufacture of low alcohol wine, OFB or beer is as follows:
 - A) The ethanol by-product is received into the warehouse on form CEB 01, with purpose code ZGR.
 - B) Receipt of the ethanol by-product into the VMP or VMS warehouse:
 - I) CEB 01, with purpose code ZGR in terms of rebate item 621.25 / 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 621.35 / 104.23.04 (fermented ethyl alcohol obtained from the alcohol extraction of wine) or 621.35 / 104.23.28 (fermented ethyl alcohol obtained from the alcohol extraction of OFB / beer) for fermented ethyl alcohol being the by-product from a process of extraction (alcohol strength by volume of less than 80%).
 - C) The conversion of litres into litres absolute alcohol (AA) is indicated on the CEB 01 CCD with purpose code ZGR.
 - D) **VMP**: The ethanol by-product, once re-distilled must be entered on the DA 260.01 as production of spirits.
 - E) **VMS**: The by-product converted to LAA is received into the VMS on strength of the CCD with purpose code ZGR, and entered on the DA 260.02 as unblended spirits.
 - F) A certificate (DA 32) indicating the ingredients and quantities to form part of the blending process in which the ethanol by-product will be used must be completed.
 - G) Receipt of ethanol by-product into the **SOS** warehouse:
 - I) CEB 01, with purpose code ZGR in terms of rebate item 621.29 / 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 621.39 / 104.23.04 (wine) or 621.39 / 104.23.28 (OFB / beer) for fermented ethyl alcohol being the by-product from a process of extraction (alcohol strength by volume of less than 80%).
 - H) The conversion of litres into litres absolute alcohol (AA) is indicated on the CEB 01 CCD with purpose code ZGR.
 - I) The ethanol by-product converted to LAA is received into the SOS on strength of the CCD with purpose code ZGR, and entered onto the DA 260.02.
 - J) The SOS may either export the ethanol by-product or provide it to registered rebate users for industrial or non-liquor use in terms of Rebate Item 621.08.

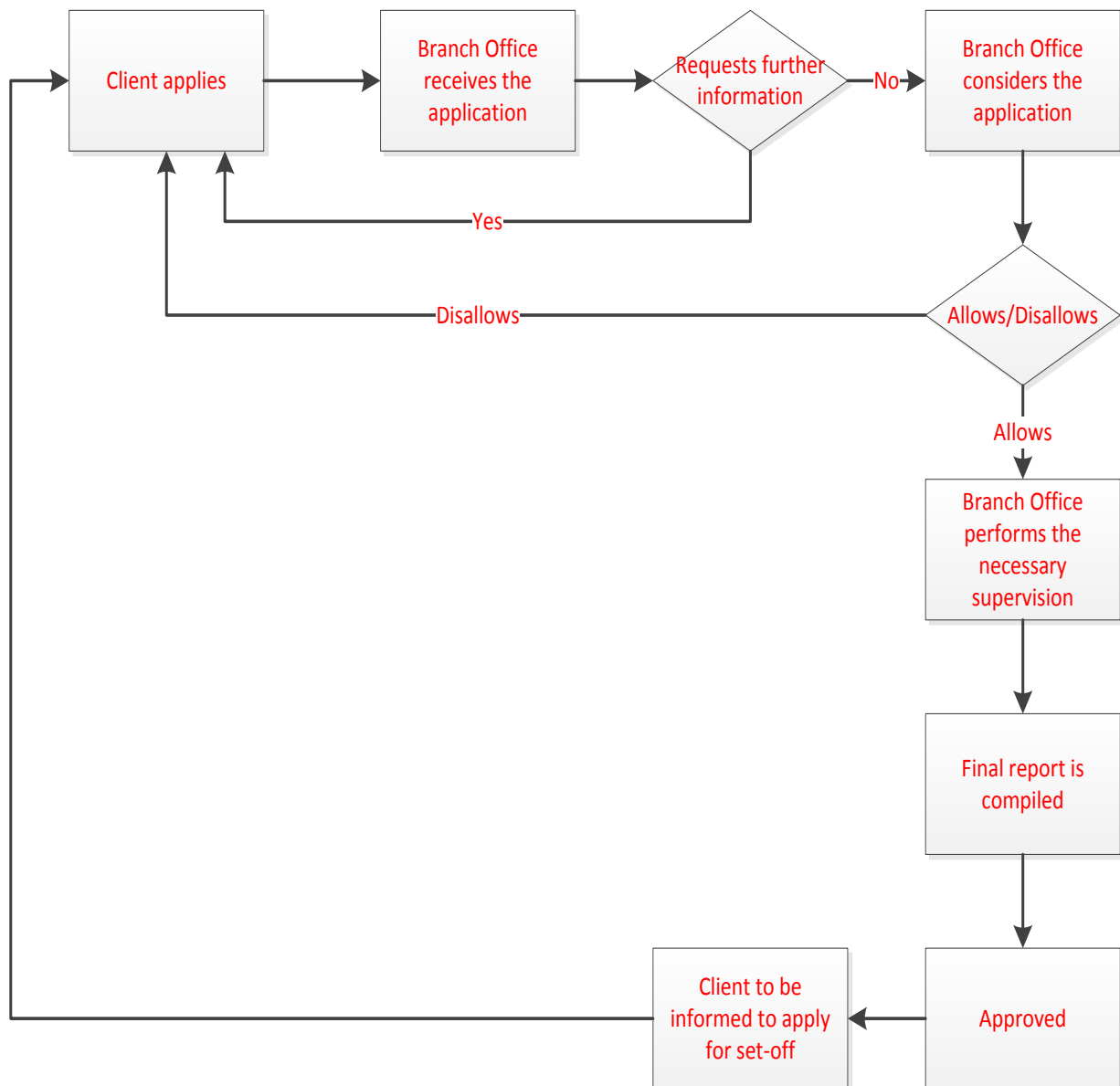
2.12 Duty paid returns from the local market

2.12.1 Spirituous beverages which are off-specification or have undergone post-manufacturing deterioration or have become contaminated

- a) Spirituous beverages that are off-specification or have become contaminated or have undergone post-manufacturing deterioration may be returned for reprocessing or destruction in a VMP where the Excise duty is not less than R25 000 on any single occurrence only if such goods are found to be off-specification, contaminated or to have undergone post-manufacturing deterioration, and are returned to the VMP within a period of twelve (12) months after removal from the VMS.
- b) The provisions of Rebate Item 621.21 shall apply in respect of spirituous beverages –
 - 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) If the Commissioner approves the application, any spirituous beverages returned in terms of Rebate Item 621.21 shall be –
 - i) Kept intact and entirely separate from any other goods or materials until they have been examined and identified by an Excise Officer (EO); and
 - ii) Unpacked, where applicable, and transferred to and mixed with stocks of materials for reprocessing, under supervision of an EO; or
 - iii) Destroyed under supervision of an EO.
- d) The licensee of a VMP 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 delivery note under cover of which such products were returned;
 - v) Proper record of the Excise inspection processes; and
 - vi) Proper record of the written Excise permission to destroy or reprocess.

2.13 Process for reprocessing, destruction or abandonment



2.13.1 Application

- a) The client must apply in writing to the Controller / Branch Manager for the reprocessing, destruction or abandonment of product of which application must at least contain the following information:
 - i) Must be on a company letter head;
 - ii) Power of attorney (if applicable);
 - iii) Which Rebate Item is applied for;
 - iv) Product applicable;
 - v) Quantity / litres;
 - vi) Indemnity letter (indemnifying SARS of any civil claim) (if applicable);
 - vii) Rate of duty applicable;
 - viii) The reason why the application is made;
 - ix) The method that will be used to destroy the product (if applicable);
 - x) The date on which the product will be reprocessed or destroyed;
 - xi) State the location of the goods; and
 - xii) All relevant supporting documentation.
- b) If necessary, the Excise Branch Office can request further information.

2.13.2 Consideration

- a) The EO must ensure that:
 - i) The client has met the conditions of the notes to the relevant Rebate Item; and
 - ii) That all supporting documents have been submitted.
- b) If necessary, the said EO can request further information from the client.
- c) The relevant EO must compile a report for the Operations Manager (OPS Manager), indicating whether the application can be considered or not.

2.13.3 Allows / disallows

- a) When the OPS Manager allows the application, two (2) EOs' must be tasked to attend the reprocessing, destruction or abandonment. If needed the application can be verified by these EOs'.
- b) Should the application be unsuccessful, the client must be informed in writing of the reasons thereof taking PAJA into account.

2.13.4 Supervision

- a) Once the two (2) appointed Eos' have viewed the reprocessing or destruction, a P 2.08 must be completed in duplicate verifying that such destruction has taken place.
- b) A copy thereof must be handed to the client.

2.13.5 Final report

- a) A final report must be compiled by the EOs', attaching all relevant supporting documentation, and submitting it to the OPS Manager.
- b) The OPS Manager must inform the client in writing to apply for a set-off on their Excise account / return.

2.14 Set-off

- a) For the purpose of Section 75(11A), the licensee of the VMS 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 621.21.

- 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 the twelve (12) month period.
- 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 (litres absolute alcohol x rate of duty (determined as above) = Duty to be set-off.

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

2.15 Fixed loss allowances and tolerances

2.15.1 Fixed loss allowances

a) Loss allowance on unpacked spirits in a licensed VMS:

- i) Section 75(18)(a) provides for a fixed 1.5% loss allowance on any unpacked spirits, imported or locally manufactured, received in and entered for use in a VMS. This has the effect that any unpacked spirits, received in a VMS, albeit from a OS for imported spirits or a VMP, qualify for a fixed 1.5% loss allowance, deductible per EXD 01, on the quantity so received and entered.
- ii) Rule 19A3.03 (d)(i)(bb) provides for a fixed 1.5% loss allowance on fermented spirits received and entered for use in a VMS warehouse from a SVM (wine) warehouse. The spirits is the final product of fermentation (e.g. wine stripped of its character) and produced in the SVM as contemplated in Additional Note 4 to Chapter 22.

b) Loss allowance on unpacked spirits in a licensed OS and SOS:

- i) Section 75(18)(b)(ii) provides for a fixed loss allowance of 0.25% on the quantity of unpacked spirits received and entered by a Customs and Excise storage warehouse (OS for imported spirits as well as SOS for locally manufactured spirits).
- ii) This has the effect that unpacked spirits received in a Customs and Excise storage warehouse, albeit a OS for imported spirits or a SOS for export, denaturing and / or packing or re-packing for supply to registered rebate users of locally manufactured spirits, qualify for a fixed loss allowance of 0.25% on the quantity so received and entered.
- iii) The fixed loss allowance of 0.25% for losses incurred on storage of imported unpacked spirits in an OS may be subtracted from the volume of spirits imported/landed before entering the landed volume into the warehouse register.
- iv) The fixed loss allowance of 0.25% for losses incurred on unpacked locally manufactured spirits in an SOS warehouse (excluding a Duty Free Shop and Ships / Aircraft Chandler) during storage or further processing (denaturing, packing and / or re-packing) of such spirits, may be subtracted, per EXD 01, from the volume of unpacked spirits entered after receipt from a VMP, VMS or SOS.

c) Transport loss allowance on unpacked spirits moved between all licensed warehouses (excluding movements between VMP warehouses):

- i) Section 75(18)(b)(i) provides for a fixed loss allowance of 0.25% when unpacked spirits are removed from one (1) Customs and Excise warehouse to another. The allowance is calculated on the quantity of unpacked spirits so removed and entered.
- ii) This has the effect that a transport loss of 0.25% on any unpacked, imported or locally manufactured spirits is allowed on movements between licensed warehouses (excluding such movements between VMPs) and the 0.25% may be deducted from the volume to be acquitted and thus entered in the receiving warehouse.
- iii) The calculation of this 0.25% loss allowance and thus the actual volume to be entered in the receiving warehouse must be reflected in the "Description of Goods" - box on the re-warehousing CCD with procedure code E 46-45 by the receiving warehouse licensee.

- d) **Excessive transport losses on unpacked spirits moved between all licensed warehouses (excluding movements between VMP warehouses):**
- i) Should the transport loss exceed the 0.25% allowance and the volume received and acquitted are less than the allowed reduced / net volume, the consignor will be liable for payment of the relevant Excise duty on such difference.
 - ii) Such excessive differences in the volumes of consignments entered per CCD with procedure code E 45-00 and acquitted per CCD with procedure code E 46-45 must be corrected by means of a CCD Voucher of Correction (VOC) per consignment.
 - iii) The said CCD must be submitted, together with the relevant amount payable, by the consignor within seven (7) calendar days after the end of each accounting month. The volume entered per each CCD with procedure code E 45-00 must be corrected to correspond with the volume entered per each acquitting CCD with procedure code E 46-45.
- e) **Transport loss allowance on unpacked spirits moved between VMP warehouses:**
- i) The 0.25% loss allowance will not apply to movements of unpacked spirits between VMP warehouses. These warehouses will still be entitled to the full duty rebate on the actual losses, if reasonable, incurred on such movements and such reasonable losses may be regarded as manufacturing losses. The receiving warehouse may therefore acquit the full amount of spirits indicated on the CCD with procedure code E 45-00 without any prejudice to duty.
 - ii) Should the receiving VMP warehouse, however, elect to acquit the actual amount received (reduced due to transport losses) a CCD, correcting the sent volume of spirits as described above, must still be submitted by the consignor to the local Controller / Branch Manager within seven (7) calendar days after the end of each accounting month.
- f) **Excessive / unreasonable transport losses on unpacked spirits moved between VMP warehouses:**
- i) Should the transport loss be excessively high or deemed to be unreasonable by the Controller / Branch Manager, the consignor will be liable for payment of the relevant Excise duty on such excessive loss.
 - ii) Such excessive differences in the volumes of consignments entered per CCD with procedure code E 45-00 and acquitted per CCD with procedure code E 46-45 must be corrected by means of a CCD VOC per consignment.
 - iii) The said VOC must be submitted, together with the relevant amount payable, by the consignor within seven (7) calendar days after the end of each accounting month. The volume entered per each CCD with procedure code E 45-00 must be corrected to correspond with the volume entered per each acquitting CCD with procedure code E 46-45.
- g) **Surpluses and deficits caused by the 0.25% loss allowances:**
- i) The licensee of a SOS for the storage of bulk / un-packed spirits must account, on a **quarterly** basis per EXD 01, for all movements and balances of such spirits during the accounting period.
 - ii) For the first three (3) calendar quarters of any specific year, such licensees must reflect the **calculated ("book") figure** as the closing balance, taking into account all receipts, removals and loss allowances, for that specific quarter.
 - iii) For the fourth (4th) calendar quarter of any specific year (i.e. the quarter ending at the end of December) licensees must reflect the **actual physical stock figure** as the closing balance, taking into account all receipts, removals and loss allowances, for that quarter.
 - iv) All **surplus stock** accumulated during that specific calendar year must be reflected as a receipt into warehouse per the relevant Excise account schedule (DA 260.02; **not** DA 260.03) for the last (4th) quarter of the calendar year. Such entry must be described on the DA 260.02 as "**Surplus stock accumulated due to 0.25% loss allowances from (Month and Year) to (Month and Year)**".
 - v) The relevant Excise duty on any **deficit in stock** must be brought to account / paid to the local Controller / Branch Manager on the CEB 01 (after the end of the fourth quarter but before the EXD 01 is completed and submitted) and such deficit in stock (LA) must then be reflected as a non-duty paid removal per schedule DA 260.04 of the EXD 01 for the last fourth (4th) quarter of the calendar year.

- vi) Such licensees of SOS warehouses may elect to do the above-mentioned reconciliation of surpluses and deficits *mutatis mutandis* on a quarterly basis but, as stated above, such reconciliation must at least be done on an annual basis (at the end of December of each year).
- h) **Tolerance on measurement of spirits (volume) at stock-take**
- i) Section 28(2) makes provision for a tolerance when determining / measuring, at stock-take by the SARS, the volume of imported or locally manufactured unpacked spirits stored in a Customs and Excise storage warehouse.
 - ii) This has the effect that the volume so determined with the previous stock-take (only of tanks / containers into and / or out of which no movements took place since the previous stock-take by the SARS) may be retained if the volume determined with the current stock-take varies within a range of 0.25% of that previously determined volume.
 - iii) If the volume so determined with the current stock-take is falling outside the allowed 0.25% range described above (less or more) when compared with the previous determined / recorded volume, the current determined volume must be accepted, but adjusted by subtracting the allowable 0.25% tolerance -
 - A) Example 1:
 - I) Current reading = 100.25 Litre (LI)
 - II) Previous reading = 100.00 LI
 - III) The current reading is within the allowable 0.25% range and therefore the volume recorded must be 100.00 LI (i.e. retaining the previously recorded volume).
 - B) Example 2:
 - I) Current reading = 101.00 LI
 - II) Previous reading = 100.00 LI
 - III) The current reading falls outside the allowable 0.25% range and therefore the volume must be recorded as 100.75 LI (i.e. 101.00 LI less the allowable 0.25% tolerance).

2.16 Duty paid / assessed returns from secondary manufacturing (VMS) warehouses for processing in a primary manufacturing (VMP) warehouse

- a) Returns from the VMS, under official SARS supervision, of duty paid / assessed unpacked spirituous products, which became contaminated or were found to be off specification, will be allowed for re-processing only after written application for such movement/return of spirits from the licensee is approved in writing by the local Controller / Branch Manager.
- b) Such spirituous products will be:
 - i) Removed in bond per CCD with procedure code E 45-00, clearly marked "for re-processing", from the VMS to the VMP for re-processing.
 - ii) The volume of spirits reflected on the CCD with procedure code E 45-00 must be acquitted by means of a CCD with procedure code E 46-45 and entered as a receipt into the stock of the VMP under the same tariff item as indicated on the CCD declaration with procedure code E 45-00, irrespective of any Rebate Item reflected on the CCD with procedure code E 45-00.
 - iii) Such spirits must be re-processed in terms of the provisions of the said Rebate Item of Schedule 6.
 - iv) The licensee of the VMS warehouse must pay, prior to the actual removal of the spirits to the VMP warehouse, to the local Controller / Branch Manager, the Excise duty relevant to/calculated on the 1.5% allowance he / she received when the product was initially received in the VMS from the VMP.

2.17 Transfer of spirits from one (1) product to another

- a) This paragraph deals with the process of moving volumes of spirits between different spirits groups / products for blending purposes, on the EXD 01.
- b) The licensee of a VMS must enter such spirits on a provisional DA 32 –
 - i) At the time of the actual blending process (if the actual blending process takes place within the same accounting month in which such spirits were received from the VMP); or

- ii) Not later than the end of that accounting month in which such spirits were received from the VMP (if the actual blending process will only take place in the next accounting month).
- c) Such actual blending process must take place before the end of the accounting month following the accounting month in which the spirits were received from the VMP. If not, the provisional DA 32 will not be accepted by the Controller / Branch Manager.

2.18 Registered rebate users

- a) Clients that qualify in terms of Schedule 6 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 (excluding users of fully denatured spirits, irrespective of whether such spirits attained this status during the manufacturing process or due to post-manufacture addition of denaturants).
- b) In terms of the notes to Rebate Item 621.08, spirits must be actively denatured **post-manufacture** in order for such spirits to be regarded as “fully denatured”. Spirits, which attained the characteristics of fully denatured spirits during the manufacturing process, may therefore not be regarded as “fully denatured”.
- c) From an Excise control perspective, the product will however be treated the same as fully denatured spirits, because of the specific characteristics of the product, and may thus be supplied to and received by non-registered entities.
- d) Registered rebate users receiving un-denatured spirits from spirits manufacturers, partially denatured spirits from denaturers or any spirits from intermediate suppliers may use such spirits only in terms of the provisions of the specific rebate item(s) under which they are registered.
- e) Registered rebate users receiving spirits from manufacturers, denaturers, intermediate suppliers or other registered rebate users must keep and maintain a rebate register.
- f) Registered rebate users removing finished product to the local market must keep commercial invoices for all such removals for audit purposes.
- g) Such rebate users will be accountable for all spirits received and will remain liable for payment of the relevant Excise duty until proof is provided, that the spirits were applied in full accordance with all the provisions of the specific rebate item under which they are registered.

2.18.1 Rebate Register - Registered rebate users must keep a rebate register reflecting the following information:

- a) All receipts of rebated spirits –
 - i) Licensed name of the manufacturer / intermediate supplier;
 - ii) Volume received;
 - iii) Nature / rebate item under which the spirits was received; and
 - iv) DA 33A number and date per which the spirits was received.
- b) All usages / applications of rebated spirits –
 - i) Description of product manufactured;
 - ii) Volume of product manufactured; and
 - iii) Volume of rebated spirits used.
- c) Stock figures of rebated spirits on hand.
- d) Sales / removals of product –
 - i) Sales invoice / delivery note number and date for manufactured product sold / removed; and
 - ii) DA 62 number and date for transfers of rebated product to other registered rebate users.

2.19 Importation and subsequent repack of over-strength (undiluted) unpacked (bulk) spirits

2.19.1 Importation of over-strength (undiluted) unpacked (bulk) spirits

- a) The following normal Customs procedures apply:
- i) CCD with procedure code E 40-00 reflecting the total landed quantity is submitted.
 - ii) Relevant tariff heading of unpacked (bulk) product applies.
 - iii) In terms of Section 75(18)(b)(ii) the fixed loss allowance of 0.25% for losses incurred on storage of unpacked spirits in an OS may be subtracted from the volume of spirits imported / landed before entering the volume into the warehouse register.
- b) No subsequent losses, except for possible vis major losses, will be allowed in the OS warehouse on such consignments and the duty on any shortages must be brought to account immediately.

2.19.2 Subsequent application for dilution and repack of over-strength spirits

- a) Application is made in writing to the Controller / Branch Manager to break down and re-pack (bottle) the full quantity or part thereof of the over-strength unpacked (bulk) spirits in the OS. The application must at least contain the following:
- i) Name of applicant;
 - ii) Physical address;
 - iii) Date;
 - iv) Client code;
 - v) Warehouse name;
 - vi) Warehouse number;
 - vii) Original CCD number and date;
 - viii) Product;
 - ix) Description of current packing;
 - x) Description of intended new packing and quantity / volume;
 - xi) Volume to be repacked;
 - xii) Quantity of containers / bottles; and
 - xiii) Pack sizes (millilitre).
- b) The application must be accompanied by a draft VOC CCD reflecting the quantities and pack sizes into which the goods will be re-packed and the Customs and Excise value appropriately apportioned to such re-packed goods.
- c) The draft VOC CCD is required to amend the tariff heading of the goods from that of un-packed (bulk) product to that of the packed (bottled) goods –
- i) Example:
 - A) Original un-packed (bulk) landed quantity = 1 000 LA (CCD with procedure code E 40-00).
 - B) Quantity to be repacked (bottled) = 200 LA.

Document	Tariff Heading	Quantity
Original CCD with procedure code (E 40-00) un-packed (bulk) spirits	2207	1000 LA
VOC (CCD):		
Line 1 - Un-packed (bulk) spirits	2207	800 LA
Line 2 - Re-packed (bottled) spirits	2208	200 LA

- d) The OS register must be updated to reflect the re-packed quantity.
- e) The written approval for such repacking by the Controller / Branch Manager will determine the conditions under which the repacking must be done; e.g. under Customs supervision.

2.19.3 Subsequent movement of re-packed (bottled) spirits from the OS warehouse

- a) The following normal Customs procedures apply:
- i) Export
 - A) CCD with procedure code (H 67-40) is submitted.
 - B) The relevant tariff heading of packed (bottled) goods applies.
 - C) The CCD must be recorded in the OS register.
 - ii) Local consumption
 - A) CCD with procedure code (A 11-40) is submitted.
 - B) The relevant tariff heading of packed (bottled) goods applies.
 - C) The CCD must be recorded in the OS register.
 - iii) Movement to another licensed warehouse (in bond) -
 - A) CCD with procedure code E 43-40 / E 44-43 is submitted by the OS. The purpose code to be used depends on the Controller's / Branch Manager's area where the destination licensed warehouse is situated.
 - B) The relevant tariff heading of packed (bottled) goods applies.
 - C) A CCD with procedure code E 44-43 must be submitted by the receiving licensed warehouse.
 - D) The said removal in bond and re-warehousing CCD must be recorded in the relevant OS and receiving licensed warehouse registers respectively.

3 RELATED INFORMATION

3.1 Legislation

TYPE OF REFERENCE	REFERENCE
Legislation and Rules administered by SARS:	<p>Customs and Excise Act No. 91 of 1964: 18, 18A, 19, 19A, 20(4), 20(5), 21, 25, 27, 28(2), 44(2), 47, 60.08, 75(18), 101, 101A, 116, 119A and 120.</p> <p>Customs and Excise Rules: 18.01 – 18.15, 18A.01 – 15A.07, 19, 19A, 19A.1, 19A.08, 20.17, 25.01, 27.01 to 27.13, 44.01 to 44.04, 47.01 to 47.04, 60.01 to 60.10, 75.01 to 75.21, 101.01 to 101.03 and 101A.01 to 101A.12. and 119A.R101A(10)(d)</p> <p>Customs and Excise Tariff: Schedules 1 Part 2A and 6 and Chapter 22</p> <p>Tax Administration Act No. 28 of 2011: Sections 215 to 220 and 224</p> <p>Tax Administration Laws Amendment Act, 2014: Section 15</p>
Other Legislation:	Liquor Products Act, 1989 (Act No. 60 of 1989): Section 3
International Instruments:	None

3.2 Cross References

DOCUMENT #	DOCUMENT TITLE
GEN-PAYM-01-G01	SARS Payment Rules – External Guide
EA-01-M01	eAccount on eFiling – External Manual
SE-APL-02	Internal Administrative Appeal – External Policy
SC-CC-26	Alternative Dispute Resolution – External Policy
SC-CF-04	Completion of Declarations – External Manual
SC-EX-01-03	Exports - External Policy
SC-EX-01-03-S01	Exports - External SOP
SE-ACC-02-M02	Declaration and Return Submission via eFiling – External Manual
SE-GEN-02	Accounting for Duty / Levy – External Standard
SE-ACC-05	Submission of Accounts / Returns – External Policy
SE-BON-02	Bonds – External Standard
SE-CON-02	Clearance of Movements – External Policy
SE-GEN-02	Accounting for Duty / Levy – External policy
SE-GEN-08	Special and Extra Attendance – External policy
SE-LR-02	Licensing and Registration – External policy
SE-PAY-02	Prescribed Payment Rules – External Policy
SE-PP-02	Provisional Payment – External Policy
SE-PP-03-M01	Completion of the DA 70 – External Manual
SE-REF-02	Refunds – External Directive

3.3 Quality Records

NUMBER	TITLE
CEB 01	Customs / Excise Billing
DA 32 / SAWIS 6	Certificate for removal of Excisable/specified goods ex warehouse.
DA 33A	Certificate for removal of excisable / specified goods ex warehouse to Registered Rebate Users
DA 260	Excise Account – Spirits Products (VMP, VMS and SOS) – Summarising Page of all movements of Wine during the accounting period
DA 260.01	Excise Account Schedule – Spirits Products (VMP) – Schedule of Production during the accounting period
DA 260.02	Excise Account Schedule – Spirits Products (VMP and VMS) – Schedule of Receipts From C&E Warehouses during the accounting period (SOS) – Schedule of (Packed) Receipts From C&E Warehouses during the accounting period
DA 260.03	Excise Account Schedule – Spirits Products (VMS) – Receipts of Blended Product
DA 260.04	Excise Account Schedule – Wine and vermouth 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 vermouth 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
P 2.08	Destruction Certificate

4 DEFINITIONS AND ACRONYMS

A 11-40	Home use of goods, previously placed under the 'warehousing' procedure.
AA	Absolute Alcohol
Act	Customs and Excise Act, No. 91 of 1964
Alcoholic beverages	Means alcoholic beverages as contemplated in Chapter 22 of Part 1 of Schedule 1.
A/V	Alcohol per Volume
BELN Countries	a) The Republic of Botswana; b) The Kingdom of Eswatini (Swaziland); c) The Kingdom of Lesotho; and d) The Republic of Namibia.
Blending	The process whereby any type of spirits is blended with another type of spirits or water in order to obtain a drinkable (potable) spirituous beverage. This excludes instances in which only water is added to spirits which must still undergo a further primary manufacturing process e.g. maturation.
CCD	Customs Clearance Declaration
Commissioner	Commissioner for SARS
Customs Clearance Declaration	Applicable SAD form (e.g. SAD 500, 501, 502, 503, 504, 505, 506, etc.) or CD 1 (Customs Declaration)
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.
DAS	Duty At Source – Assessment of duty and levies at the time when fuel and other excisable products except wine are removed from the manufacturing warehouse.
Denatured spirits	Spirits to which a substance(s) is added by virtue of a formula to render it unfit for human consumption.
Denaturer	Licensed warehouse producing denatured spirits.
Denaturing	The process whereby a substance(s) is added to spirits to render it unfit for human consumption.
Distillation	The process of extracting alcohol from a base product (e.g. wine, sugar cane, grain, 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.
E 40-00	Clearance of imported goods into a Customs warehouse under the 'warehousing' procedure.

E 43-40	Clearance for removal of goods under the 'warehouse' procedure, from one Customs warehouse to another Customs warehouse in South Africa or BELN country.
E 44-43	Clearance for re-warehousing of goods under the 'warehouse' procedure, previously removed in bond from one Customs warehouse to another.
E 45-00	Clearance for removal of Excise goods from one Excise warehouse to another Excise warehouse in South Africa or BELN country.
E 46-45	Clearance for re-warehousing of Excise goods, removed in bond from one Excise warehouse to another Excise warehouse.
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
Foundry spirits	A product not fit for human consumption, which cannot be further distilled.
H 67-40	Outright export of goods originally placed under the 'warehousing' procedure.
H 68-00	Clearance for outright export of Excise goods manufactured in an Excise warehouse
LAA	Litre Absolute Alcohol
LI	Litre
Licensee	Any person licensed under any provision of the Act.
Maceration	The process whereby any substance (e.g. juniper berries) is added to spirits for a period in order to extract the flavour from such substance, thereby flavouring the spirits.
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; b) The recovery of excisable goods from excisable goods or any other goods; and c) The packing or measuring off, of any Excisable goods.
Maturation	The process whereby spirits is matured in wooden vats / casks for a period of at least 3 years in order to acquire different qualities and / or to comply with certain legal requirements.
Matured spirits	Spirits, which have undergone the process of maturation.
Methylated spirits	Spirits, which have been methylated in terms of the formulae prescribed in the notes to Rebate Item 621.08.
N/A	Not applicable
OFB	Other Fermented Beverages
OS	Storage Warehouse
Over-strength spirits	Potable spirits of an alcoholic strength (A / V) greater than that at which such spirits are normally sold for human consumption.
Packing	The packaging of spirits into a closed container (e.g. bottles, etc.)
PAJA	Promotion of Administrative Justice Act
Primary manufacturer	Is the licensee of a manufacturing warehouse where raw material e.g. grapes, citrus, grain etc. are distilled to obtain a product which is spirits.
Re-distillation	The process of extracting alcohol from distilled spirits.
Re-packing	The re-packaging of spirits from its original closed container into another closed container.
SACU	The Southern African Customs Union, consisting of: a) The Republic of South Africa; b) The Republic of Botswana; c) The Kingdom of Eswatini (Swaziland); d) The Kingdom of Lesotho; and e) The Republic of Namibia.
SAPS	South African Police Service
SARS	South African Revenue Service
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.
Secondary manufacturer	Is the licensee of a manufacturing warehouse where blending and stabilising takes place e.g. spirits blended with a flavour and / or other products.

Slops	Is a rinsing of undrinkable (non-potable), spirit, usually manifested as a residue in tankers and containers.
SOS	Special Storage Warehouse
Stabilising	The process whereby blended spirits are left for a period at a constant temperature to settle.
SVM	Manufacturing Warehouse for Wine and Other Fermented Beverages
Thinners	Is a blend of an alcohol solvent with at least 2% of another organic solvent, excluding methanol.
Un-denatured	Plain drinkable (potable) spirits fit for human consumption.
Vis Major	A natural and unavoidable catastrophe that interrupts the expected course of events, normally caused by forces of nature.
VMP	Primary Manufacturing Warehouse
VMS	Secondary Manufacturing Warehouse
VOC	Voucher of Correction
ZGR	Purpose code used for General Rebates - Schedule 6 – Rebates and Refunds of Excise Duties and Fuel Levy (ex-warehouse of South African goods)

5 DOCUMENT MANAGEMENT

Business Owner	Executive: Excise Audit Enforcement.
Document Owner	Executive: Governance
Author	Justin Rossouw
Detail of change from previous revision	<p>Certain Q-codes have been amended under paragraph 1(b);</p> <p>Paragraph 2.7 has been added to make provision for the Promotion of Administrative Justice Act;</p> <p>Paragraph 2.10 has been amended;</p> <p>The reference to BLNS Countries have been amended to BELN Countries due to the Kingdom of Swaziland's name changing to Kingdom of Eswatini;</p> <p>Sub-paragraphs (iii), (iv), (v) and (vi) have been inserted under paragraph 2.11.5(d);</p> <p>Paragraph 2.13 has been added to make provision for the process for reprocessing, destruction and abandonment;</p> <p>Certain Q-codes have been corrected under 'Cross References';</p> <p>'Quality records under paragraph 3.3 has been updated;</p> <p>Certain definitions have been added to paragraph 4; and</p> <p>The document Q-code changed from SE-DT-02 to SE-SP-02.</p>
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