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WINE AND VERMOUTH

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1 PURPOSE

- a) The purpose of the policy is to stipulate the requirements, activities, and liabilities of the Wine and Vermouth industry including but not limited to:
- i) The activities that are permitted in the Wine and Vermouth warehouses;
 - ii) Completion of the DA 260 – EXD 260 account;
 - iii) The assessment of excise duty which involves duty paid removals and non-duty paid removals; and
 - iv) Reprocessing, destruction, or abandonment.
- a) The policy applies to Auditor Excise (AE's) and/or Functional Specialists (FS's) and Operations Specialists (OS's) dealing with role-players in the Wine and Vermouth Industry.

2 POLICY STATEMENT

2.1 Section 47

- 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 or 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) Every manufacturer or importer of an alcoholic beverage shall, irrespective of any existing tariff determination at the time Section 47(9)(a)(iv) came into operation, apply for a tariff determination for that beverage in terms of this Section.
- d) The tariff determination process for alcohol beverages is explained in SE-TDN-02.
- e) 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 Wine and Vermouth shall be –
- i) For which no tariff determination was issued prior to 1 April 2015 – 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.
- f) In terms of Rule 47.04, no new tariff determination application in respect of an existing determination is required for any change in the alcoholic strength or vintage of beverages classified under any subheading of heading 22.04 (Wine) or 22.05 (Vermouth), provided the alcoholic strength remains within the range specified in the subheading of the existing tariff determination.
- g) An application for a tariff determination must comply with the provisions of Section 47(9)(a)(iv)(cc) of the Act 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.

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- h) 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 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.
- i) 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 comes 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).

2.2 Liability for duty

- a) Excise duty is payable on:
 - i) Unfortified (natural) wines and vermouths obtained through the natural fermentation of grape must **or** juice of fresh grapes;
 - ii) Fortified wines and vermouths obtained through the addition of wine spirits to unfortified (natural) wines and vermouths; and
 - iii) Sparkling wines and vermouths obtained by increasing the excess pressure of unfortified (natural) wines and vermouths to at least 300 kPa when kept at 20oC.

2.3 Activities permitted

2.3.1 Special Manufacturing Warehouse (SVM)

- a) The following activities and movements may take place in a Wine and Vermouth SVM:
 - i) Manufacture of wine and vermouth made from grapes;
 - ii) Duty paid removals to the local market;
 - iii) Bonded removals to other Customs & Excise warehouses;
 - iv) Exports; and
 - v) Rebated removals.
- b) Premises where only maturation of wine or vermouth takes place will not be licensed as a special manufacturing warehouse (SVM). Other manufacturing processes such as *filtration or *stabilisation must also take place before it may be licensed as a SVM (*this could be any other process mentioned in **the** paragraph **above**.)

2.3.2 Storage Warehouse (OS)

- a) The following activities and movements may take place in a Wine and Vermouth OS:
 - i) Duty paid removals to the local market;
 - ii) Bonded removals to another OS and SOS;
 - iii) Exports; and
 - iv) Rebated removals.
- b) **An OS will only be licensed for the storage of own manufactured product of a SVM.**
- c) Wine and vermouth warehoused in an OS as local Excisable products may not be removed back to a SVM without the written approval from the Commissioner for SARS.

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2.3.3 Special Storage Warehouse (SOS) for export

- a) Exporters of wine and vermouth may apply for a Customs and Excise special storage warehouse (SOS) license. The license enables the licensee to receive and export bonded wine and vermouth under duty suspension.
- b) The following activities and movements may take place in a wine and vermouth SOS licensed for export only:
 - i) Exports; and
 - ii) Rebated removals.
- c) Wine and vermouth warehoused in an SOS may not be removed to the local Southern African Customs Union (SACU) market for duty paid use / return to a SVM or owner of the wine and vermouth without written approval from the Commissioner of SARS.
- d) For any consignment or part thereof that is removed to the local market or returned to the sending warehouse (normally an SVM), permission has to be obtained from the Commissioner, stating the quantity to be returned as well as the reason(s) for such return.
- e) Products stored in such warehouses are intended solely for export / eventual consumption outside the SACU. Therefore, these warehouses cannot be used for storage purposes.

2.3.4 Special Storage Warehouse (SOS) licensed as a Duty Free Shop and/or Ship or Aircraft Chandler

- a) Owners of Duty Free Shops and companies supplying products for ships or aircraft chandlers may apply for the licensing of a SOS.
- b) The following activities and movements may take place in a wine and vermouth SOS licensed as a Duty Free Shop and / or Ship or Aircraft Chandler:
 - i) Duty free sales to diplomatic missions for the personal or official use by diplomatic representatives accredited to a diplomatic mission and members of their families; to foreign-going travellers; and as stores for foreign-going ships and aircraft;
 - ii) Bonded removals to another SOS licensed as Duty Free Shops and / or Ships / Aircraft Chandlers;
 - iii) Exports; and
 - iv) Rebated removals.
- c) Wine and vermouth warehoused in a SOS may not (without written approval from the Commissioner for the SARS) be removed to the local SACU market for duty paid use or consumption as wine and vermouth.
- d) Products stored in such warehouses are intended solely for export or eventual consumption outside the SACU.

2.3.5 Manufacture of wine on behalf of a wine farmer

- a) Instances occur where a wine farmer grows grapes which are then delivered to a licensed third-party cellar (SVM) in order to manufacture, bottle and label wine on their behalf [(the manufacturer (SVM) remains the liable party)].
- b) The finished product (bottled wine) is then returned to the wine farmer whom now needs to apply for licensing of a bonded facility to store the wine from where it will be shipped to the various clients abroad. There is no manufacturing facilities on the wine farmer's property which means that no filtration, stabilisation or any wine making process will take place. In short, no wine is produced.

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- c) The wine farmer will not be able to apply for a bonded facility to store wine for the local market. Wine obtained from the **third**-party cellar must be duty paid when it is removed from the **third**-party SVM, for the local market.
- d) Only the SVM, who is the manufacturer, can apply for an OS for the local market. The wine farmer needs to apply for licensing of a SOS for export purposes only.
- e) Under these circumstances the following distinction can be made between the OS and SOS:
 - i) OS – Own manufactured product is stored (SVM).
 - ii) SOS – manufactured by a licensed **third**-party and stored by the wine farmer (for export purposes only).
- f) It should be noted that in cases where the grapes are not wholly grown by the wine farmer and for example, obtained from another source, the application for licensing of a SOS warehouse will not be entertained.

2.4 Production

- a) The production of wine and vermouth for commercial sale may include production processes and operations such as natural fermentation, fortification, carbonation, blending or mixing, maturation, filtration, stabilisation and bottling of the product.
- b) In terms of Section 44(2) wine and vermouth becomes subject to excise duty when it attains its essential character, i.e. when the grape has fermented naturally to an alcoholic strength, of more than 0.5% alcohol per volume (A/V) and is generally accepted as drinkable **or** fit for human consumption.
- c) This essential character of wine and vermouth is attained before blending or mixing, maturation, filtration, stabilisation and bottling of the product.
- d) The basic raw material **or** product used for the manufacture of wine is grape must **or** juice, which is not regarded as an Excisable product before fermentation. The fermentation process in grape must **or** juice can be stopped by means of different forms of manipulation of the product.
- e) Vermouth is made from wine of fresh grapes and flavoured with infusions of plant substances (leaves, roots, fruits, etc.) or aromatic substances.
- f) Grape must **or** juice not manipulated to stop the fermentation process will be deemed capable of fermenting to more than 0.5% A/V and will therefore be regarded by the SARS as wine.
- g) Fortified wine and vermouth are produced by increasing the alcoholic strength of unfortified (natural) wine and vermouth by means of the addition of wine spirits, to an alcoholic strength of at least 15.0% but not exceeding 22.0% A/V:
 - i) The strength of spirits used for fortification purposes shall not be less than 60% A/V.
 - ii) No spirits removed to a SVM for fortification purposes may be kept unused in such warehouse for a period longer than ninety (90) days, without the permission, in writing, of the Controller **or** Branch Manager.
- h) Wine and vermouth fortified to an alcoholic strength of more than 22.0% A/V will be regarded, for excise duty purposes, as a spirituous beverage.
- i) Sparkling wine and vermouth is produced by increasing the excess pressure of unfortified (natural) wine and vermouth by means of natural processes or by the application of carbon dioxide (carbonation) to an excess pressure of not less than 300 kPa when kept at 20°C.

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2.4.1 Restrictions

- a) Unfortified wine can undergo various processes whereby alcohol (ethanol) and water is extracted in order to lower the alcohol content of such wine or to manufacture a non-alcoholic beverage i.e. “reverse osmosis”, “nano filtration” and / or “cone spinning” etc. Approval from the Controller / Branch Manager must be obtained prior to the start of any these processes.
- b) The ethanol by-product rendered from the alcohol extraction process is regarded as a spirit classifiable under tariff heading 22.08 and is liable to the payment of excise duty.
- c) In terms of the Liquor Products Act, the adding of water to wine or vermouth (dilution / increasing the volume) changes its essential character. The resultant product is no longer regarded as wine or vermouth by the SARS, but as an “Other Fermented Beverage” with its unique tariff item and description, e.g. wine coolers (refer to SE-OFB-02).
- d) Wine and vermouth manufactured in South Africa (SA) are identified by an “A” registration number allocated by the Department of Agriculture whereas imported wine and vermouth are identified with a “B” registration number. This number is normally reflected on the label of the product and, if not, the full physical address and particulars of the manufacturer must be reflected on the label, which will then indicate the origin thereof.
- e) An extension of the SVM must only be considered if manufacturing will take place at the extended premises and under such circumstances as deemed reasonable and necessary by the Commissioner.
- f) The following conditions must apply to an extension of a licensed SVM warehouse, if such application for extension was approved by the Commissioner:
 - i) All removals from the licensed warehouse to the approved extension of the licensed warehouse must be done on a delivery note – register to be kept.
 - ii) All wine and vermouth movements from the licensed warehouse and the extension warehouse / premises to any other licensed Excise warehouse must be done on a DA 32 and / or **SAWIS 6** as if taking place from the licensed warehouse; and
 - iii) Only one (1) **Excise account** must be completed reflecting stock from the extension warehouse **or** premises and the licensed warehouse as well as all movements.
- g) Restrictions on the removal of bulk wine:
 - i) A licensee of a Customs and Excise warehouse or special Customs and Excise warehouse in which wine is manufactured, may only remove or permit the removal of bulk wine:
 - A) To the licensee of another such warehouse;
 - B) To the licensee of a VMP contemplated in the Rules numbered 19A3 for the primary production of spirits;
 - C) To the licensee of a special Customs and Excise storage warehouse licensed for the storage of wine for export; or
 - D) For direct export from that warehouse.
 - ii) For purposes of paragraph (i), “wine in bulk” means wine not in normal packaging for sale by retail.

2.4.2 Maturation

- a) The period while in maturation as determined by the licensee will be excluded from the two (2) year period storage restriction in terms of Section 19(9).
- b) A maturation register must be kept by the licensee which must reflect the following:
 - i) Batch number;
 - ii) Number of casks / bottles;
 - iii) Description of wine;
 - iv) Date and volume entered for maturation; and

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- v) Date and volume removed from maturation.

2.5 Completion of the Excise account (DA 260 – EXD260)

- a) The **DA 260** is the summarising document reflecting all production figures, stock figures and movements of bonded Wine and Vermouth, as well as the amount of excise duty payable in respect of the accounting period.
- b) **The DA 260** must be completed in full; i.e. with all the applicable schedules attached for that specific accounting period and type of warehouse.
- c) All columns and boxes on the Excise account and account schedules must be completed.
- d) 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.
- e) 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.
- f) If any schedule is not required for that specific accounting period, the applicable schedule does not have to be completed.
- g) 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).
- h) 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.
- i) Each schedule to the Excise account also serves as a continuation sheet for that specific schedule.
- j) 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.
- k) **The full DA 260 excise account is used to complete the EXD 260 excise-account which is submitted in terms of SE-ACC-08 via eFiling.**
- l) The date of submission will be the date that a licensee submits a fully and properly completed **Excise account** as described above.
- m) **The completed DA 260 Excise account and EXD260 Excise account must be kept by the client for audit purposes and must be readily available upon request.**
- n) **Special Manufacturing Warehouse (SVM)**
 - i) All licensees of SVM warehouses must on a monthly basis complete and keep on hand for audit purposes a **DA 260 excise account**.
 - ii) The Wine and Vermouth SVM 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

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DA 260.04A	Excise Account Schedule	Itemised list of Non-Duty Paid Removals. A separate supporting schedule form must be used per removal type.
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o) Storage Warehouse (OS)

- i) All licensees of OS warehouses approved for the storage of locally manufactured wine and vermouth must on a monthly basis complete and keep on hand for audit purposes a **DA 260**.
- ii) The Wine and Vermouth OS Excise account consists of the following:

DA 260	Excise Account	Summary
DA 260.02	Excise Account Schedule	Receipts from Customs and Excise Warehouses
DA 260.04	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) licensed for export only:

- i) All licensees of SOS warehouses licensed for export only of locally manufactured wine and vermouth must complete and keep on hand for audit purposes a **DA 260**.
- ii) The Wine and Vermouth 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 260.04	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.

2.6 Assessment of excise duty

2.6.1 Measure of dutiable quantity

- a) The dutiable quantity of and excise duty on wine and vermouth are assessed on the total bulk volume, expressed in litres rounded to the nearest full litre (Li), of product removed to the local SACU market per accounting period. A volume of 0.49 or less must be rounded down to "0" and a volume of 0.5 or more must be rounded up to "1".
- b) For purposes of assessing the relevant excise duty, the 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 wine and vermouth and vermouth removed to the local market (SVM).
- c) It is the responsibility of the licensee to monitor and control the filling of containers to ensure that over / under filling is prevented.
- d) 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 litres removed.
- e) 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.

2.6.2 Rate of duty

- a) The rate of duty to be used for the purpose of calculation of excise duty for wine and vermouth is the relevant rate of duty in terms of Schedule 1 Part 2A at time of clearance declaration (removal) from warehouse for local (SACU) consumption.

2.6.3 Calculation of excise duty

- a) Excise duty payable on wine and vermouth is calculated using the following formula:

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

2.6.4 Duty Paid transactions

- a) Removal of wine and vermouth duty paid for consumption as wine and vermouth in the SACU is allowed only from SVM and OS warehouses.
- b) No relief of duty (rebate or refund) exists for losses incurred after duty paid wine and vermouth has left the warehouse.
- c) Excise duty is assessed per the **DA 260 - EXD 260**, as detailed below:
- i) SVM warehouse:
 - A) Excise duty is assessed on the total bulk volume of wine and vermouth removed from the warehouse to the local SACU market during the accounting period.
 - B) The relevant excise duty is calculated by multiplying the dutiable quantity (litres) by the relevant rate of excise duty.
 - C) 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 the total duty paid sales for such period must be reflected on the **DA 260 - EXD 260**.
 - D) The total dutiable quantity of wine and vermouth so removed during the accounting period must be entered on the **DA 260 - EXD 260**.
 - ii) OS warehouse:
 - A) Excise duty is assessed on stock difference for the accounting period; i.e. using the following formula:
 - I) Opening Balance
 - II) Plus: Receipts from Customs and Excise Warehouses
 - III) Less: Total Non-Duty Paid Removals
 - Less: Closing Balance
 - = Total on which Duty must be paid (Dutiable Quantity).
 - B) The relevant excise duty is calculated by multiplying the dutiable quantity (litres) by the relevant rate of excise duty.
 - C) The total dutiable quantity of wine and vermouth so calculated during the accounting period must be entered on the **DA 260 - EXD 260**
 - iii) **Samples:** In accordance with the Rules, samples of wine and vermouth in a Customs & Excise warehouse may be taken but is in each case liable to payment of excise duty.
 - iv) **Wine and Vermouth Tasting:** Wine and vermouth tasting areas and restaurants situated on the manufacturing premises, must at all times be regarded as duty paid areas and no bonded stock will be allowed in such areas.
 - v) **Wine and vermouth stored by a licensee on behalf of the purchaser and library stock:** All vinotique wine and vermouth and library stock (historical stocks of wine and vermouth) must be duty paid.

2.6.5 Non Duty Paid transactions

- b) Wine and vermouth can be removed ex warehouse without payment of excise duty in the following instances:
- i) When wine and vermouth are removed in bond to other licensed warehouses within the SACU;
 - ii) When wine and vermouth are entered under full rebate of duty in terms of a specific provision in Schedule 6; and / or
 - iii) When wine and vermouth are exported to countries outside the SACU.

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- c) Bonded movements:
- i) Wine and vermouth may be removed ex a licensed warehouse in bond without payment of duty (i.e. duty suspension) to another licensed wine and vermouth warehouse in the SACU.
 - ii) Movements between SVM warehouses – Bonded movements of wine and vermouth between SVM warehouses are allowed for purposes of further manufacturing.
 - iii) Movements from SVM to OS warehouses – Bonded movements of wine and vermouth from a SVM warehouse to an OS warehouse is allowed for the purpose of storage and subsequent Duty Paid and non-Duty Paid movements out of the OS.
 - iv) Movements between SVM and SOS warehouses – Bonded movements of wine and vermouth between a SVM and SOS will only be allowed for the following specified purposes:
 - A) Supply to Duty Free Shops and Ship Aircraft Chandlers; and
 - B) Storage for export of such wine and vermouth.
 - v) Movements between OS warehouses – Bonded movements of wine and vermouth between OS warehouses are allowed for the purpose of storage and subsequent Duty Paid and non-Duty Paid movements out of the OS.
 - vi) Movements between SOS warehouses – Bonded movements of wine and vermouth between SOS warehouses will only be allowed for the following specified purposes:
 - A) Supply to Duty Free Shops and Ship Aircraft Chandlers; and
 - B) Storage for export of such wine and vermouth.
 - vii) Movements to BELN countries -
 - A) Bonded movements of wine and vermouth will be allowed from licensed warehouses in SA to licensed warehouses within the BELN countries.
 - B) The consignor must complete a DA 32 prior to removal of the consignment of bonded wine and vermouth from his / her premises and account for such consignment(s) per the Excise account.
 - C) All other non-rebated movements of wine and vermouth from SA to the BELN countries will be on a duty paid basis.
 - viii) Movements from BELN countries
 - A) Bonded movements of wine and vermouth will be allowed from licensed warehouses within the BELN countries to licensed warehouses in SA.
 - B) For all other movements of wine and vermouth from these countries, proof of payment of excise duty must be submitted at the port of entry into SA.
- d) Rebated movements:
- i) Wine and vermouth 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 wine and vermouth industry is found in Schedule 6. The most common rebates applicable to the wine and vermouth industry are rebates for:
 - A) Manufacturing losses;
 - B) *Vis Major* losses;
 - C) Destructions; and
 - D) Unfortified wine and vermouth used in the manufacture of other excisable products.
 - iii) Manufacturing losses:
 - A) Rebate Item 624.30 stipulates that Excisable goods in a SVM warehouse and in the process of manufacture and removed from one (1) SVM to another such warehouse 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 / Branch Manager 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.

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- C) The manufacturer must be able to show the actual volume of wine and vermouth 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, bottling and packaging operations, and removals between SVM 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. **Furthermore, it should be noted that the circumstances contemplated as exceptional in this Rebate item would exclude robbery or theft.**
 - 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 excise duty due must be brought to account.
 - E) Refer to Note 4 to Section G of Schedule 6 as well as Rebate Item 624.50 itself.
- ii) *Destructions*:
- A) Licensees may apply (in terms of Rebate Item 624.40) to the Controller / Branch Manager for the destruction of Excisable bonded wine and vermouth in instances where a specific consignment of wine and vermouth 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 the SARS for subsequent sale or other application by the SARS, in order to at least, recover the monetary value of the relevant excise duty.
- d) *Exports*:
- i) Export of wine and vermouth 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 Customs Clearance Declaration (CCD)] endorsed copy of the processed export CCD with procedure codes H68-00 / H52-00, original signed bill of lading, airway bill, rail note or road manifest] is obtained by the licensee and submitted to the Controller **or** Branch Manager within thirty (30) days after the export clearance 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) Locally manufactured wine and vermouth 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 and vermouth or spirits;

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- 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; and
 - D) The rate of excise duty in force at the time of entry for home consumption, from such warehouse is paid thereon.
- iv) Via Table Bay Harbour -
- A) DA 32 / SAWIS 6 certificates and a processed CCD with procedure code H68-00 must be completed in respect of bonded movements of wine or vermouth to Table Bay harbour.
- e) Co-loaded (Groupage) Consignments of wine and vermouth for export - Less Container Load (LCL) Consignments:
- i) The removing licensee removes the consignment of wine or vermouth in bond per DA 32 to another licensed warehouse who accounts for that consignment in his / her **DA 260 - EXD 260**; or
 - ii) The removing licensee completes a DA 32, marked as reflected below [In this case the licensee(s) of the warehouse(s) where the co-loading takes place does not account per the **DA 260 - EXD 260** for the consignment(s) so temporarily received on his / her premises].
 - A) For co-loading at: (Warehouse name and number).
 - B) For eventual export ex: Harbour (Name of harbour / port).
 - iii) Each individual LCL consignment removed for export per removal certificate DA 32 must be acquitted by each individual removing licensee.
 - iv) The licensees of the warehouses from where the co-loaded consignments originated must submit a copy of the processed export clearance declaration, together with a packing list identifying his / her specific product as part of the full consignment exported, to his / her local Controller / Branch Manager acquitting his/her specific DA 32 marked "For co-loading at".
- f) Rebated movement from SVM to VMS
- i) Treatment of wine (stripping):
 - A) Wine is manufactured or received in the SVM.
 - B) The wine is subjected to the "stripping" process, which renders it a spirits product classifiable under tariff item 104.23.28. The entire activity of the stripping of the wine must take place in the SVM.
 - C) On completion of the stripping process, the spirits of tariff item 104.23.28 are removed from the SVM in terms of Rebate Item 620.07 / 104.15.21 on the DA 260.04 schedule of the DA 260 Excise account.
 - 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) The quantity of fortified wine removed must be reflected on the DA 260.04 schedule of the wine SVM Excise account as a rebated removal.
 - D) A DA 32 removal certificate must be used as the removal document and is acquitted by means of the receiving warehouse signing the acknowledgement of receipt.
 - E) 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 absolute alcohol.
 - F) The fortified wine is thus removed under rebate of duty directly to the VMS where the blending of the brandy takes place.
 - iii) Alcohol extraction procedure:
 - A) Wine is manufactured or received in the SVM.
 - B) The wine is subjected to the alcohol extraction process, which renders a low alcohol wine or a non-alcoholic beverage.
 - C) The manufacturer of the non-alcoholic beverage must register in terms of Rebate Item 620.19 for unfortified wine used in the manufacturing of non-alcoholic beverages.
 - D) The entire activity of the alcohol extraction process must take place in the facility of the SVM.
 - E) Rule 75(24) sets out the requirements with regard to the keeping of a register by the registered rebate users of Excisable goods used in the manufacturing of, inter alia, non-alcoholic beverages.

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- F) The ethanol by-product rendered from the alcohol extraction process is regarded as a spirit classifiable under tariff heading 22.08.
- G) On completion of the alcohol extraction process, the ethanol by-product must be removed to either:
 - I) VMP for distillation;
 - II) VMS for blending into spirituous beverage; or
 - III) SOS for export or for supply of fermented ethyl alcohol to registered rebate users.
- iv) Accounting procedure for the manufacturing of a non-alcoholic beverage is as follows:
 - A) The wine to be used in the manufacture of a non-alcoholic beverage is rebated out of the SVM in terms of Rebate Item 620.19 on the DA 260.04 schedule of the DA 260 Excise account.
 - B) The manufacturer of the non-alcoholic beverage who is registered in terms of Rebate Item 620.19 receives the wine under rebate of duty.
 - C) On completion of the alcohol extraction process, the ethanol by-product of tariff items 104.21.01 (more than 80% A/V) or 104.23.04 (less than 80% A/V), must be removed to either a VMP, VMS or SOS.
 - D) The CEB 01, with purpose code ZGR must be completed by the rebate registrant to move the ethanol by-product to the VMP, VMS or SOS.
 - E) Movement of ethanol by-product to the VMP or VMS:
 - 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 for fermented ethyl alcohol being the by-product from a process of extraction (alcohol strength by volume of less than 80%).
 - F) Movement of ethanol by-product to the SOS:
 - 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) CEB 01, with purpose code ZGR in terms of Rebate Item 621.37 / 104.23.04 for fermented ethyl alcohol being the by-product from a process of extraction (alcohol strength by volume of less than 80%).
 - G) The conversion of litres into litres absolute alcohol (AA) is indicated on the CEB 01 clearance declaration with purpose code ZGR.
 - H) Receipt of ethanol by-product into VMP or VMS [refer to the Spirits External Policy (SE-SP-02)].
- v) Accounting procedure for the manufacturing of low –alcohol wine is as follows:
 - A) On completion of the alcohol extraction process, the ethanol by-product must be removed to either a VMP, VMS or SOS.
 - B) The ethanol by-product, i.e. the difference in volume (quantity of wine before process less quantity of wine after process) of wine utilised for the alcohol extraction process, is rebated out of the SVM in terms of Rebate Item 620.18 / 104.15.21 on the DA 260.04 schedule of the DA 260 Excise account
 - C) Receipt of ethanol by-product into the VMP, VMS or SOS [refer to the Spirits External Policy (SE-SP-02)].

2.7 Duty paid returns from the local market

2.7.1 Wine and vermouth which are off-specification or have become contaminated or have undergone post-manufacturing deterioration

- a) Wine and Vermouth which are off-specification or have become contaminated or have undergone post-manufacturing deterioration may be returned to a **Customs and Excise special manufacturing warehouse (SVM)** for destruction or reprocessing, 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 the SVM and that the goods are returned **to such SVM** within this period.

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- b) The provisions of Rebate Items 620.22 or 620.23 shall apply to Wine or vermouth respectively –
 - 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) The licensee of the Customs and Excise manufacturing warehouse in which such goods will be reprocessed or destroyed must apply to the Commissioner for such reprocessing or destruction stating the circumstances in which the goods have become, and the extent to which the goods are, off-specification or contaminated.
- d) If the Commissioner approves the application, any wine or vermouth returned in terms of Rebate Items 620.22 or 620.23 respectively, shall be –
 - i) Kept intact and entirely separate from any other goods or materials until it has 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.
- e) The licensee of a SVM to which such products are returned for destruction or reprocessing 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 excise permission to destroy or reprocess.

2.8 Reprocessing, destruction or abandonment

2.8.1 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.

2.8.2 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.

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- c) The relevant EO must compile a report for the Operations Manager (OPS Manager), indicating whether the application can be considered or not.

2.8.3 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 officers.
- b) Should the application be unsuccessful the client must be informed in writing of the reasons thereof taking PAJA into account.

2.8.4 Supervision

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

2.8.5 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 DA 260 - EXD 260.

2.9 Set-off

- a) For the purpose of Section 75(11A), the licensee of the SVM 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 Items 620.22 or 620.23.
- b) If the licensee is unable to produce such proof of the rate, the duty on any quantity so returned shall be calculated for refund purposes at the lowest rate of excise duty levied in terms of the Act on such products during the twelve (12) months period as stipulated above in paragraph 2.7.1 (a).
- c) Where any goods containing spirits for which any rebate of duty on the spirits has been allowed as contemplated in Section 75(18) are returned to a Customs and Excise manufacturing warehouse for reprocessing or destruction as provided for in Rebate Items 620.22 or 620.23, the excise duty so allowed as a rebate in respect of the goods returned must be paid back before any process of reworking the product or destruction thereof may take place.
- d) The licensee of such warehouse may, after reprocessing or destruction of the products concerned, and on accounting for the goods reprocessed or destroyed in the monthly account (DA 260 - EXD 260), prescribed in the rules for Section 20, set-off as contemplated in Section 77, any amount duly refundable against the amount payable on such account during a period of two (2) years after receipt of the goods for reprocessing or destruction, as the case may be.
- e) The amount to be set-off shall be calculated in the following manner:

Quantity returned (number, kilograms or litres absolute alcohol etc.) × rate of duty (determined as above) = Duty to be set-off.
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- f) This amount must then be subtracted from the excise duty due on the DA 260 - EXD 260.

3 REFERENCES

3.1 Legislation

TYPE OF REFERENCE	REFERENCE
Legislation and Rules administered by SARS:	Customs and Excise Act No. 91 of 1964: Section 18, 18A, 19, 19A, 19(9), 20, 21, 27, 35, 44(2), 47, 75(11A), 75(18), 77, 101, 101A, 116 and 119A Customs and Excise Rules: Rule 18.01 to 18.15, 18A.01 to 18A.07, 19.01 to 19.07, 20.14, 20.17, 27.01 to 27.13, 35.01 to 35.05, 47.01 to 47.04, 101.01 to 101.03(e), 101A.01 to 101A.12 and 119A.R101A(10)(d) Customs and Excise Tariff: Schedules 1 Part 2A and 6 Tax Administration Laws Amendment Act, 2014: Section 15
Other Legislation:	Constitution of the Republic of South Africa No. 108 of 1996: Section 3 Liquor Products Act No. 60 of 1989: Sections 3 Promotion of Administrative Justice Act No. 3 of 2000 Liquor Products Act No. 60 of 1989: Sections 3
International Instruments:	None

3.2 Cross References

DOCUMENT #	DOCUMENT TITLE
SE-ACC-08	Declaration and Return Submission via eFiling – External Guide
SE-LR-02	Licensing and Registration – External Policy
SE-OFB-02	Other Fermented Beverages – External Policy
SE-SP-02	Spirits – External Policy
SE-TDN-02	Tariff Determination – External Policy

4 DEFINITIONS AND ACRONYMS

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