

Trade & Customs - South Africa

Annual budget speech for 2015 announced

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Alcohol and tobacco products Excise duties on fruit fermented beverages General

On February 26 2014 South Africa's finance minister delivered the annual budget speech for the 2015 financial year. This update considers the highlights for the customs and excise sector.

Alcohol and tobacco products

As of February 26 2014:

- Excise duties on alcohol and tobacco products increased on average by between 6.2% and 12%.
- Tax on malt beer increased by R0.09 per 340 millilitre (ml) can.
- Tax on unfortified wine increased by R0.13 per 750ml bottle.
- Tax on fortified wine increased by R0.27 per 750ml bottle.
- Tax on sparkling wine increased by R0.62 per 750ml bottle.
- Tax on ciders and alcoholic fruit beverages increased by R0.09 per 330ml bottle.
- Tax on a spirits increased by R4.76 per 750ml bottle.
- Tax on cigarettes increased by R0.68 per packet of 20 sticks.
- Tax on cigarette tobacco increased by R0.87 per 50 grams.
- Tax on pipe tobacco increased by R0.09 per 25 grams.
- Tax on traditional African beer remained unchanged.

Excise duties on fruit fermented beverages

In the 2013 Budget, the Customs and Excise Act was amended to align the excise duty provisions for fruit beverages with the requirements of the Liquor Products Act 1989. As a result, only products that are predominantly fruit fermented are distinctly classified in this beverage category. In addition, fermented alcoholic beverages that are not mainly derived from fruit are included in the "other" tariff band. The intention was to increase the excise duty rate of this band to the highest excise rate – the full spirits rate – from February 2014 onwards. However, after further consultation it is proposed that this increase be postponed to Budget 2015. The possibility of providing for grain fermented alcoholic beverages will also be explored.

Liquor manufacturers may currently request tariff determinations from the South African Revenue Service (SARS) to obtain certainty on the appropriate tariff classification and excise duty rate applicable to their products. In the future, these voluntary applications for tariff determinations will be made compulsory to ensure that, over time, all alcoholic beverages are accurately and consistently classified. Any new alcoholic product or modification in the production process or alteration in the recipe of an existing liquor product will be subject to a compulsory SARS tariff determination. Proof of compliance with the requirements of the Liquor Products Act will also have to be submitted to promote harmonisation with agricultural legislation. These compulsory tariff determinations will be phased in to ease SARS's administrative burden.

General

The Customs and Excise Act will be amended to provide for the protection of merchandise trade information for traders and cargo.

Although no mention was made of the re-write of the customs legislation in South Africa, the Customs Duty Bill and Customs Control Bill are undergoing parliamentary

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scrutiny and the president is expected to sign them into law in early 2014.

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