



EXCISE TAX

ESSENTIAL TAX GUIDE

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EXCISE LEAFLET GUIDE FOR SMALL BUSINESSES

What is Excise Tax?

Excise Tax is indirect duties, levies and taxes imposed on certain locally manufactured and imported goods, which are consumed in South Africa. Excise Legislation makes provision for certain goods to be taxed at the closest point to where they are manufactured.

The revenue-raising objective of Excise Tax is to finance government's expenditure for education, housing, health, etc. through the annual budget. Another objective is to utilise the tax as an instrument to discourage the consumption of certain products that are potentially harmful to citizens' health and the environment. Below are some of the Excise duties and levies.

1. Excise duties are imposed throughout the Southern African Customs Union (SACU) countries, which are Botswana, Lesotho, Namibia, Eswatini and South Africa. The same rate of duty applied on the specified products in South Africa applies throughout the SACU region.

Specific excise duties are imposed on the items specified in Part 2A of Schedule No.1 to the Customs and Excise Act, 1964, (the Act), namely:

- » Traditional African beer and powder is beer made from fermented beer malt or unmalted grain with an alcohol strength not exceeding 3, 5 % per volume.
- » Malt beer (clear beer made from fermented malt with an alcohol strength between 3 to 6 % per volume)
- » Wine and Vermouth
 - Unfortified (natural) wines and vermouths obtained through the natural fermentation of grape/juice of fresh grapes, to an alcoholic strength of at least 4.5 % by volume, but not exceeding 16.5 % by volume.

- Fortified wines and vermouths obtained through the addition of wine spirits to unfortified (natural) wine and vermouth, to an alcoholic strength of at least 15% by volume but not exceeding 22% by volume.
- Sparkling wines and vermouths obtained by increasing the excess pressure of unfortified (natural) wine and vermouth to at least 300kPa when kept at 20°C.
- » Other fermented beverages (made from fermented fruit (excluding grapes), grains or honey, which may be mixed with other beverages. Unfortified other fermented beverages typically have an alcohol strength from 2.5% to 15% per volume, and when fortified with spirits typically have an alcohol strength from 15% to 23% per volume).
- » Spirits and spirituous beverages (made from distilled wine, grain, fruit, sugarcane, starches, etc. for typical alcohol strength of 40% per volume. Also made from stripped alcohol of fermented fruit, with spirits added for alcohol strength from 15% to 23% per volume).
- » Petroleum products (for example petrol, diesel, bio-diesel etc.).
- » Tobacco products (cigarettes, cigarette tobacco, cigars, pipe tobacco, waterpipe tobacco – hubbly bubbly, heated tobacco products etc.).

Ad Valorem excise duties are taxes imposed on the value of goods and these are imposed on the items specified in Part 2B of Schedule No.1 to the Act, including:

- » Electronics and gaming
- » Fur skin clothing
- » Cosmetics and perfumes
- » Fireworks and firearms
- » Cellular phones
- » Motor vehicles

Excise levies are unique to each member state of the SACU countries.

Excise levies imposed by South Africa



Fuel levy on petroleum products imposed on the items specified in Part 5A of Schedule No.1 to the Act.



RAF (Road Accident Fund) levy on petroleum products imposed on items specified in Part 5B of Schedule No.1 to the Act.



Environmental levy imposed on the items specified in the relevant Section, as mentioned below, of Part 3 of Schedule No.1 to the Act. The respective categories are:

- Specified plastic carrier and flat bags (Section A of Part 3)
- Generation of electricity from non-renewable sources (Section B of Part 3)
- Electric filament lamps (Section C of Part 3)
- Carbon dioxide (CO₂) emissions of new motor vehicles (Section D of Part 3)
- Tyres (Section E of Part 3)
- Carbon dioxide equivalent of greenhouse gas (GHG) emissions (Section F of Part 3)



Health Promotion Levy imposed on the items specified in the relevant Section, as mentioned below, of Part 7 of Schedule No.1 to the Act. The respective categories are:

- Sugary beverages (Section A of Part 7)
- Preparations and concentrates for making sugary beverages (Section A of Part 7)



Diamond export levy on unpolished diamonds exported from South Africa



Air passenger tax



International Oil Pollution Compensation Fund (IOPCF) Levy

How to license/register for Excise Tax

Before any trader can deal in goods that are subject to excise duties or levies, Sections 59A and 60 read with their rules of the Customs and Excise Act, require these traders to register or license to obtain a licence for manufacturing or storage warehouse, by completing the relevant application forms and appropriate annexures (as prescribed in rules 59A and 60) and submitting them, along with supporting documents, to the nearest Customs and Excise branch.

Manual Registration and licencing form (DA 185) with appropriate annexures and supporting documents as listed, as per rule 59A and 60 of the Customs and Excise Act.

- » Registration for diamond export levy form (DL185) with supporting documents as listed, as per section 2 of the Diamond Export Levy (Administration) Act of 2007.
- » Agents' application for registration/ cancellation or changing of registered particulars (APT101) for Air Passenger Tax, as per rule 47B of the Customs and Excise Act.
- » Operators' application for registration/cancellation or changing of registered particulars form (APT102) for Air Passenger Tax, as per rule 47B of the Customs and Excise Act.

Upon licensing and registration, SARS may determine a suitable surety to be lodged by the client.

Rebates and refunds of Excise Duties and Levies

Schedule No. 6 of the Act sets out rebates and refunds of excise duties, fuel, Road Accident Fund, environmental and health promotion levies.

- » If dutiable products are used in terms of the prescribed Schedule No. 6 provisions of the Act, such products may receive a partial or full rebate or refund of duty/levy.
- » In dealing with certain products, traders might be required to be registered rebate users. For example, when dealing with spirits for use in the manufacture of industrial or non-liquor products, registrations are required in terms of the applicable rebate item of Schedule No. 6.

The general notes to Schedule No. 6 clearly set out the exceptions to registration as contemplated in rule 59A of the Act for goods received under rebate or refund of duty, in terms of any item of the Schedule.

What happens if you do not comply with excise requirements?

- » Penalties will be imposed as per the Act.
- » Collection of outstanding duties, levies, and interest.
- » In certain products, liens (SARS taking possession of property until debt is paid) may be placed on machinery and equipment.

For more information, you may –

- » Visit the Small Business Page and refer to the Traders and Travellers sub-page.
- » Alternatively visit the Customs & Excise page and select Excise under Customs and Excise Menu on the SARS website at www.sars.gov.za.

DISCLAIMER: The information contained in this leaflet is intended as guidance only and is not considered to be a legal reference, nor is it a binding tariff determination or ruling. The information does not take the place of legislation, and readers who are in doubt regarding any aspect of the information displayed in the leaflet should refer to the relevant legislation, or seek a formal opinion from a suitably qualified individual.

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