

# SA liquor industry commences payment of deferred excise tax

Following the implementation of the fourth total ban on alcohol sales in June declared by the government, the South African Liquor Brandowners Association (Salba) requested that the South African Revenue Service (Sars) provide extended payment terms on the excise duties of about R2,5bn due to Sars for the month of June.



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Sars proposed a 90-day deferral for the payment of excise taxes on alcohol which become due in October.

The association announced today that its members, which includes major alcohol manufacturers such as Distell, Heineken, Diageo, Pernod Ricard and DGB, have commenced honouring their excise tax obligation to Sars this month.

Salba chairperson Sibani Mngadi explained, “The alcohol industry has a liability to pay excise tax on end products that are in warehouses and could not be sold due to the prohibition of alcohol sales. Holding back on accounts payable, which includes the monthly excise tax payments to Sars, was one of the few options we had left to help us weather the short-term liquidity challenge we were facing due to the fourth ban of sales.”

## Stability needed

He said Salba was grateful that Sars granted deferment of excise tax payable and the industry would begin honouring these payments. “What industry needs now is some degree of stability in the short to medium term for the sector to make its contribution to economic recovery of the country. Government equally needs some stability in tax revenue streams of which tax on alcoholic beverages is a significant part of,” said Mngadi.

This is a valuable industry to South Africa that supports around 1 million jobs in the value chain, critical export sales and makes a significant contribution to GDP. Indeed, the alcohol industry pays SA Revenue Services an average of R2,5bn per month in excise tax contributions. The alcohol industry contributes R72bn to the government’s fiscus by way of taxation, VAT, and excise and in 2019, the alcohol sector contributed 3.4% (R173bn) of South Africa’s nominal GDP.

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## Curbing illicit trade

Salba CEO Kurt Moore expressed commitment to work with Sars and other law enforcement agencies to curb the sharp rise in illicit trade as a result of the bans.

“Through collaboration between the industry and law enforcement agencies, there has recently been some good breakthrough in cracking the operation of syndicates that sell alcohol illegally and robbing government and the country of much-needed revenue. We are committed to assist Sars and SA Police Service in every way possible to deal with the illicit trade problem,” said Moore.

According to Euromonitor International, illicit alcohol has grown to 22% of the total volume of alcohol sold following the bans of alcohol sales within South Africa. Spirits constitute 48% of the illicit market (mainly through smuggling), followed by homebrews at 24% and sugar-fermented ales at 22%.

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