



Alcohol industry seeks deferment of excise tax payment until alcohol ban is lifted

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Media Statement

- South African alcohol industry applies for deferment of excise duties until ban ends
- Alcohol ban damages the fiscus has a negative impact on the country's precarious socio-economic predicament and the industry's viability

Tuesday, 12 January 2021 — President Cyril Ramaphosa's decision to extend the alcohol ban yesterday has left the South African alcohol industry with no choice but to apply for a deferment of the payment of excise duties until the ban is lifted.

The alcohol ban impacts the jobs and livelihoods of those directly and indirectly involved in the sector.

The alcohol industry pays SA Revenue Service an average of R2.5 billion per month in excise tax contributions for locally produced and imported products.

Alcohol excise tax is imposed at the point of production, which means that alcohol companies have a liability to pay the excise tax on end products in their warehouses and which cannot be sold due to the current indefinite prohibition of sales.

The industry was granted deferment of at least R5 billion in excise tax payments for July and August 2020 when the Government banned alcohol sales with immediate effect. The industry has since honored these payments to SARS from October 2020 when sales were back in operation.

Apart from the damage to the fiscus, such restrictions also have a far-reaching negative impact on the country's already precarious socio-economic predicament and the industry's viability. There is no Temporary Employer/Employee Relief Scheme (TERS) for any of the SMMEs in the sector including taverns,

restaurants, and bars.

The alcohol ban actively fuels illegal alcohol supply channels' operation angling to restock the market and contributes to the increased sale of illicit—and potentially dangerous—liquor. According to the World Health Organisation, illicit alcohol accounts for an estimated 24% of the overall SA alcohol market and according to Euromonitor, costs the fiscus over R6.4 billion annually in lost tax revenue. These counterfeit products put the lives of consumers at risk, including reported cases of death.

The South African GDP declined by -8% in 2020, according to StatsSA. The alcohol sector contributes R172 billion (3% of GDP) to the SA economy. Midterm Budget Statement from Treasury in October estimated a -28% reduction in excise tax contribution from R47 billion in 2019 to R34 billion in the current financial year ending February 2021. We can expect those losses to deteriorate with every day and week that the current ban is maintained.

Vinpro, which represents 2 500 South African wine producers, cellars & industry stakeholders, said it estimated that in the 17 weeks following the prohibition in March 2020, the wine sector lost more than R8,0 billion in direct sales revenue.

Vinpro CEO, Rico Basson said: "With less than a week before the 2021 harvest commences, the South African wine industry faces a grim picture of business closures, job losses, downward price pressure, structural damage to subsectors, a decline in production without investment, quality deteriorating, a loss to the Fiscus and diversification away from wine."

These jobs and sales revenue losses will continue their downward spiral, inflicting more significant harm and damage to business and the country.

SALBA CEO, Kurt Moore said, "The Government did not indicate when alcohol sales will be allowed again. It is prudent that the industry applies all possible cost-preservation measures to keep it afloat: delaying excise tax payments is a significant factor. The industry and its entire value chain face an enormous financial crisis, and its capacity to make these payments is severely constrained."

The Government's nationwide ban on the sale of alcohol has far-reaching repercussions. A more targeted and nuanced approach is required, and the industry has appealed to the Government to enter into discussions on reasonable and viable alternatives. This strategy includes allowing limited sales for home consumption, which has a limited impact on the current wave of infections.

As the alcohol industry, we remain committed to working with Government and other stakeholders to minimize the impact of the current second wave of COVID-19 cases on the South African population. We proactively decided not to sponsor entertainment events and deploy patrollers to support SAPS in monitoring alcohol outlet compliance in hotspot areas. We also provided PPE to health workers in provinces with the highest number of infections – Eastern Cape, Gauteng, KwaZulu-Natal, and Western Cape.

About SALBA

South African Liquor Brand owners Association is a trade association representing alcohol manufacturers and distributors in SA. Its membership includes major beverage alcohol companies such as Distell, Diageo, Pernod Ricard, DGB, KWV, and RGBC.

About Vinpro

Vinpro represents the interest of 2500 wine producers and wineries in the South African Wine industry.

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