

Inflation-linked sin tax increases

Consumers of alcoholic beverages and tobacco products will from 1 April 2023 have to dig deeper into their pockets to indulge in their favourite brands.



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Delivering the 2023/24 Budget Speech at the Cape Town City Hall on Wednesday, 22 February, Finance Minister Enoch Godongwana said government was proposing to increase excise duties on alcohol in line with expected inflation of 4.9% for 2023/24.

In the 2023 Budget Review, the National Treasury said guideline excise tax burdens for wine, beer and spirits are 11%, 23% and 36%, respectively, of the weighted average retail price. It reads: "Excise duties have increased more than inflation in recent years, resulting in a higher tax incidence."

Further, the rate for sparkling wine is realigned to the policy decision taken in 2016 to peg it at 3.2 times that of natural unfortified wine.



With production dwindling, beer industry calls for excise tax regime changes

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The guideline excise tax burden as a percentage of the retail selling price of the most popular brand within each tobacco product category is currently 40%.

The Minister said due to the difficult operating environment for the sugar industry from the impact of flooding and social unrest, the health promotion levy will remain unchanged for the following two fiscal years, to enable the industry to diversify or restructure.

Government proposes an increase in the excise duties on alcohol and tobacco of 4.9%, in line with expected inflation.

This means that the duty on:

- A 340 millilitre can of beer increases by 10 cents;
- A 750 millilitre bottle of wine goes up by 18 cents;
- A 750 millilitre bottle of spirits will increase by R3.90;
- A 23 gram cigar by R5.47; and
- On a pack of 20 cigarettes, the duty rises 98 cents.

The Treasury said the alcohol review paper would be published soon after the budget, while the tobacco review paper would be published later in the year.

Consultations on the excise policy for these products would take place after the release of the discussion papers.

Illicit trade

Godongwana said Sars had completed 2,316 seizures of cigarettes and tobacco products to the value of R598.8m. "An additional R18bn worth of schedules and assessments have been raised, targeting syndicated tobacco-related crimes," he said.

Furthermore, Sars has collected more than R1.2bn in revenue and handed over 92 cases for criminal proceedings with the NPA of which two resulted in successful convictions relating to tobacco smuggling syndicates.

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