

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER: 726 [NW892E]

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Mr N D du Toit (DA) to ask the Minister of Finance:

Whether he: (a) has had discussions with or (b) took any steps to meet with (i) wine producers and/or (ii) the wine wholesale sector on the proposed increase in excise duty on wine before the budget with regard to the effect that the increase will have in the industry; if not, what is the position in this regard; if so, what are the relevant details of the (aa) comments and (bb) recommendations made by the stakeholders?

NW892E

REPLY:

(a) and (b)

No, I have not had any discussions or meetings with wine producers on the proposed increase in excise duty on wine before the budget. It is in the nature of tax policy that we do not provide prior information to any industry about the tax announcements to be made on Budget Day, as such information is market sensitive and it would also be fundamentally unfair to provide such information to some and not all of the public.

Officials from the National Treasury do consult with the alcohol industry, including wine producers, on a regular basis, on excise duties on alcoholic beverages. Such consultation involves the overall methodology and data to calculate excise duties. The actual increases announced in the 2012 Budget, however, are not the subject of consultation with either (i) wine producers and/or (ii) the wine wholesale sector. Instead, consultations with affected industries and affected stakeholders take place after Budget Day, and such consultations are taken into account when preparing the necessary legislative documents to be tabled in Parliament or gazetted.

The Honourable Member should note that the total indirect tax burden for wine has remained unchanged in Budget 2012. I would like to offer the following details on the indirect tax approach towards the alcoholic beverages sector.

The total indirect tax burdens (excise duties plus VAT) as a percentage of the weighted average retail selling price for wine, clear beer and spirits have been set at 23, 33, and 43 per cent respectively since 2002.

The alcoholic beverages sector, including the wine industry, was consulted on the methodology setting out these tax burden benchmarks in 2002. Following a review of the appropriateness of these benchmarks by the National Treasury, Budget 2012 retains the tax burden (excise plus VAT) for wine at 23 per cent, while that for beer and spirits are increased to 35 and 48 per cent respectively.

Further consultations with all stakeholders within the alcohol industry are planned for later this year in order to explain the revised (higher) tax burden targets for beer and spirits. An updated tax policy framework paper relating to the taxation of alcoholic beverages will also be published later this year.

(aa) and (bb)

Not applicable.