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Concerns brewing over liquor tax

Treasury considering raising certain alcohol excise duties in bid to curb excessive drinking

By **KHULEKANI MAGUBANE**

● The alcohol industry is holding its breath after a recent meeting with the National Treasury to discuss possible changes to alcohol excise duties that could raise beer excise by 20%, among other measures.

Business Times understands that the Treasury held a virtual meeting with alcohol producers in November to discuss proposed excise adjustments to wine and beer aimed at reducing alcohol consumption.

Alcohol companies confirmed the meeting, with wine, beer and spirits producers warning that excise increases that push prices above inflation could drive consumers towards the illicit alcohol market – undermining both revenue collection and efforts to reduce consumption.

Business Times sent questions to the Treasury this week, but did not receive responses by the deadline. The South African Revenue Service said tax policy formulation was the responsibility of the Treasury.

"Sars' role is to administer and collect taxes once tax policy has been finalised and enacted into law. While Sars makes input during tax policy discussions, [the] Treasury leads and is responsible for the development and formulation of tax policy."

An SAB spokesperson confirmed on Friday that the Treasury has been engaging with the industry as part of the tax policy review process and that the beverages company has made a submission.

"We have made a formal submission to the tax policy review process. Excessive excise increases have the unintended consequence of fuelling the illicit alcohol market, which undermines compliant businesses and weakens their ability to sustain jobs and contribute to the economy."

Rico Basson

Citing research, the spokesperson said illicit alcohol accounts for about 18% of total alcohol consumption in South Africa. Policy proposals – including a 20% increase in excise on a standard beer – must be carefully assessed.

"While we acknowledge and welcome the minister's commitment to strengthening Sars' capacity to combat illicit trade, we urge [the] Treasury to avoid policy interventions that may have the opposite effect by further incentivising illicit activity.

"In line with our position that the excise policy should provide tax certainty, we look forward to an excise tax increase on budget day in line with projected inflation for this year."

Rico Basson, CEO of SA Wine, said the group had engaged the Treasury "specifically on wine excise policy, its economic impact and the sustainability of the wine value chain".

The primary concern for the wine industry is the long-term sustainability of wine production, particularly profitability at the farm level, which is under severe and sustained pressure.

"The wine industry is currently characterised by declining profitability, with a growing proportion of wine grape producers operating at a loss; rising input costs, including labour, energy and logistics; and declining vineyard area and ageing vines, due to insufficient reinvestment.

"In this context, policy certainty and a

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DUMPING GROUND | **A portable toilet next to a mural of former Venezuelan president Nicolás Maduro in Caracas, Venezuela. Las weekend the US abducted Maduro and his wife Cilia Flores and flew them to New York, where they are bei and await a federal court appearance scheduled for March 17 on criminal charges.** Picture: Carlos Becerra/Gett

Motsepe firms accused of 'court shoppin

By **DINEO FAKU**

● Tanzania's Pula Graphite Partners, which is embroiled in a $195m (R3.2bn) lawsuit with companies linked to billionaire Patrice Motsepe, has raised concerns about their view that only South African courts have jurisdiction and are best-placed to consider the matter.

Pula Graphite, a subsidiary of the Pula Group, chaired by former US ambassador to Tanzania Charles Stith, took legal action against Motsepe, African Rainbow Capital (ARC), African Rainbow Minerals (ARM) and ARCH Sustainable Resources in 2023 for breaching a non-disclosure and non-compete agreement regarding a proposed joint graphite project in Tanzania.

At the heart of the dispute is Pula's allegation that ARC, ARCH and ARM shared confidential information that was used in breach of the non-disclosure agreement (NDA) to acquire a stake in Australia's Evolution Energy, a competitor of Pula, in Tanzania.

Pula alleges the breach resulted in commercial damage and undermined its ability to attract investors for its project in the East African nation.

ARM maintains it did not breach the NDA, while ARC and ARCH say that at no time did they have Pula's confidential information or any influence in the ARCH Fund's decision to invest in Evolution Energy.

ARC's legal representative was also advised by law firm Webber Wentzel that Pula's damages claim has no merit since the exploration right to which Pula's purported loss relates could not be renewed.

Pula Graphite also believes ARC's delisting could jeopardise its ability to engage in a meaningful mediation process or the recovery of any damages.

Stith told Business Times this week it was "illogical" for courts in Tanzania to relinquish authority in a case involving a local entity and resource to another jurisdiction in another country.

"To try and involve the South African court in this way, we don't think it will be successful; but were it to be successful, it will reflect negatively on South Africa and

Patrice Motsepe

Charles Stith

South African courts. How can you breach an agreement in one country, where you violated the non-compete clause, and then seek refuge in South Africa?"

Stith said ARC turned to the South African courts on an *ex parte* basis, meaning without notice or participation by the Pula Group. He described the application as a "court shopping" exercise to look for another court that might render another opinion.

"Every court system has rules around issues like court shopping; that is why it is regrettable that they would compromise the South African judicial system."

However, ARC said it applied to the court by way of an *ex parte* application for declaratory orders to be served by way of an "edictal citation" on Pula as being foreigners with no offices in South Africa. The court granted the order in August 2025, and the papers were subsequently served on Pula.

It said the court application in South Africa was for declaratory orders that, among others, "the NDA was concluded between Pula and ARM and, therefore, ARC has no obligations arising from and cannot be in breach of the NDA and ... cannot be held liable for contractual damages flowing from a breach of the agreement".

ARC said Pula had responded to the application and filed its answering to which ARC has responded with affidavit.

It said Pula had, however, failed heads of argument within the time in terms of the court rules, and AR applied to the deputy judge preside expedited hearing date.

ARC spokesperson Garry Ramar firm disputes that the Tanzanian co jurisdiction over the defendants. He NDA, which is central to Pula's cas governed by South African law, and majority of the defendants are base Africa.

"None of the defendants are bas Tanzania. ARC is accordingly of the only the South African courts have jurisdiction and are best-placed to the matter."

Graphite is a critical mineral in technology and among those used battery anodes. According to the Br Geological Society, Tanzania has th fifth-biggest graphite resources, am about 18-million tonnes recoverabl graphite concentrate.

In 2024, output from the countr 25,000 tonnes of graphite concentr

Stith also alleged that acting jud Nkoenyane, who is to hear the mat practising attorney, and in her priva capacity serves as remuneration co chair, as well as an investment com member at the Mineworkers Invest Company. She is also a director of Attorneys, a law firm that lists mini of its key industry sectors.

"Against this backdrop, legal ana the central issue is not whether any improper influence exists, but whe potential conflicts were disclosed," "While no allegation of actual bias the code of judicial conduct sets a standard."

However, ARC said that in the e application Nkoenyane was asked t authorise the issue and service of proceedings on Pula by edictal cita has no bearing on mining issues, a relief was procedural in nature. Th simply no conflict of interest," said

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Concerns brewing over liquor tax proposals

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stable regulatory environment are crucial for enabling producers to plan, invest, and remain economically viable."

Basson said SA Wine has submitted to the Treasury that the current excise tax incidence on wine already exceeds the long-standing policy target of 11%, and has steadily increased over time.

The Treasury's proposal to raise the benchmark tax incidence for wine to 16% represents a 45.5% increase in the tax burden, which is materially higher than the proposed relative increases for beer and spirits.

"Achieving a 16% tax incidence would require repeated above-inflation excise increases over several years. Under the proposed alcohol-based tiered taxation system, most wine would in practice exceed even the 16% benchmark, with effective tax incidence rising to between 17% and 21.8% for the majority of products.

"This would place South Africa significantly out of alignment with international norms for wine-producing countries, where wine excise is typically low or zero."

Sibani Mngadi

SA Wine has proposed that the Treasury limit excise increases on wine to the consumer price index, retain volumetric taxation for wine, avoid raising the benchmark tax incidence to 16%, and address alcohol-related harm through more effective enforcement of existing laws rather than the continued layering of new regulatory and fiscal measures.

Sibani Mngadi, corporate relations director at Diageo South Africa, said the company is participating in the stakeholder consultation process on the review of the current excise tax policy by the Treasury.

"The large tax increases on spirits over the years have facilitated the exponential growth of illicit trade, which now stands at 18% of the spirit category, translating to a R16.5bn loss in tax revenue to the government per annum."

The review document published by the Treasury in 2024 acknowledged that spirits are disproportionately taxed compared to other categories.

"Excise tax is the most significant component of the price that consumers pay when they buy a spirits product, currently at a tax rate of R94.46 a 750ml bottle."

Mngadi said while a 750ml bottle of a category-leading vodka and gin brand retails at about R170, at least 56% of that is collected by the government as an alcohol tax.

"We have called for a freeze in further tax increases for spirits to contain the rapid illicit growth, while also adjusting the spread in tax burden within the legal alcohol segments."

In an excise policy document, the Treasury said the current excise structure and annual adjustment have also resulted in the differential in the excise duty per litre of absolute alcohol content widening over time.

"For example, the beer and spirits excise duty differential has widened 148%, while for wine and spirits it has widened 136%. The differential between malt beer and wine has widened at a lower rate of 118% over the 2012/13 to 2023/24 period.

"There is some concern that the widening tax differentials may be distorting competition in the alcohol industry, and has raised questions for those who argue for all alcoholic beverages to be taxed at the same rate based on alcohol content.

"According to the South African Wine Industry Information & Systems, based on alcohol content, beer represented 55.5% of the market, with ready-to-drink at 9.7%, wine at 15.8% and spirits at 18.9%."

A paper titled "A review of alcohol excise taxation in South Africa" by the University of Cape Town's Research Unit on the Economics of Excisable Products, has been broadly cited in these discussions.

According to the paper, in 2024/25, South Africa's excise taxes on beer and ciders were at R135.89 per litre of absolute alcohol, while for spirits it was R274.39 a litre. Excise taxes on wine were R5.57 a litre.

"While SA's excise tax policy framework has many positive features, we provide recommendations to enhance the current policy framework. The main weakness in [the country's] excise tax policy is that wine is taxed too low.

"The special treatment that wine receives has a long history. Likewise, the excise taxes on beer, traditional African beer powder and instant beer are also very low."

The paper recommended that the taxation on wine be reviewed, as "the cost per litre of absolute alcohol is much lower for wine than for beer and spirits".

It also recommended that the government "increase the excise tax on beer, given that beer is the drink of choice among South Africans who drink excessively".

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