

## POLICY BRIEF

# How can alcohol excise taxation be improved in South Africa?

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21 August 2024

### INTRODUCTION

Pricing policies are a highly effective and cost effective measure to reduce alcohol-related harm.<sup>1,2,3</sup> South Africa’s excise tax policy has many positive features. We provide recommendations that can enhance the current policy framework.

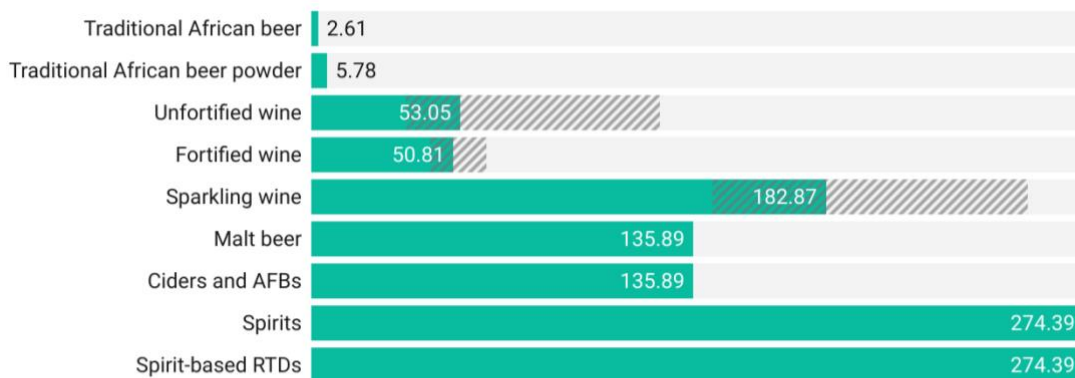
### ALCOHOL HARM

Estimates from several publications indicate that the number of alcohol-attributable deaths in South Africa is in the range of 36,200 to 62,300 deaths per year.<sup>4-6</sup> Alcohol consumption contributes to violence, injuries, trauma presentations, mental disorders, infectious diseases, and premature mortality.<sup>7,8</sup> Frequent heavy episodic drinking accounts for the large share of injuries and infectious diseases in the alcohol-attributable burden of disease profile.<sup>5</sup> South Africa has the highest rate of Fetal Alcohol Spectrum Disorders globally.

### CURRENT EXCISE TAXES

Excise taxes on beer and ciders (R135.89/L of AA) and spirits (R274.39/L of AA) are applied **per litre of absolute alcohol** (international best practice). Excise taxes on wine (R5.57/L), Traditional African beer (R7.82c/L), and Traditional African beer powder (R34.7c/kg) are applied **by volume**. There are currently very large differences in the estimated excise duty rates **based on absolute alcohol** for the various alcoholic beverages (Figure 1). The relative differential rates have been widening in South Africa in recent years. In terms of litres of absolute alcohol, unfortified wine is taxed at about 20% of the rate of spirits, and malt beer is taxed at 49.5% of the rate of spirits.

**Figure 1** | 2024/25 excise rates, Rands per litre of absolute alcohol



*The assumptions on the percentages of pure alcohol for drinks taxed by volume are as follows: Traditional African beer 3%, Traditional African beer powder 6%, unfortified wine 10.5% (range: 4.5-16.5%), fortified wine 18.5% (range: 15-22%), and sparkling wine 9.75% (range: 7-12.5%).*

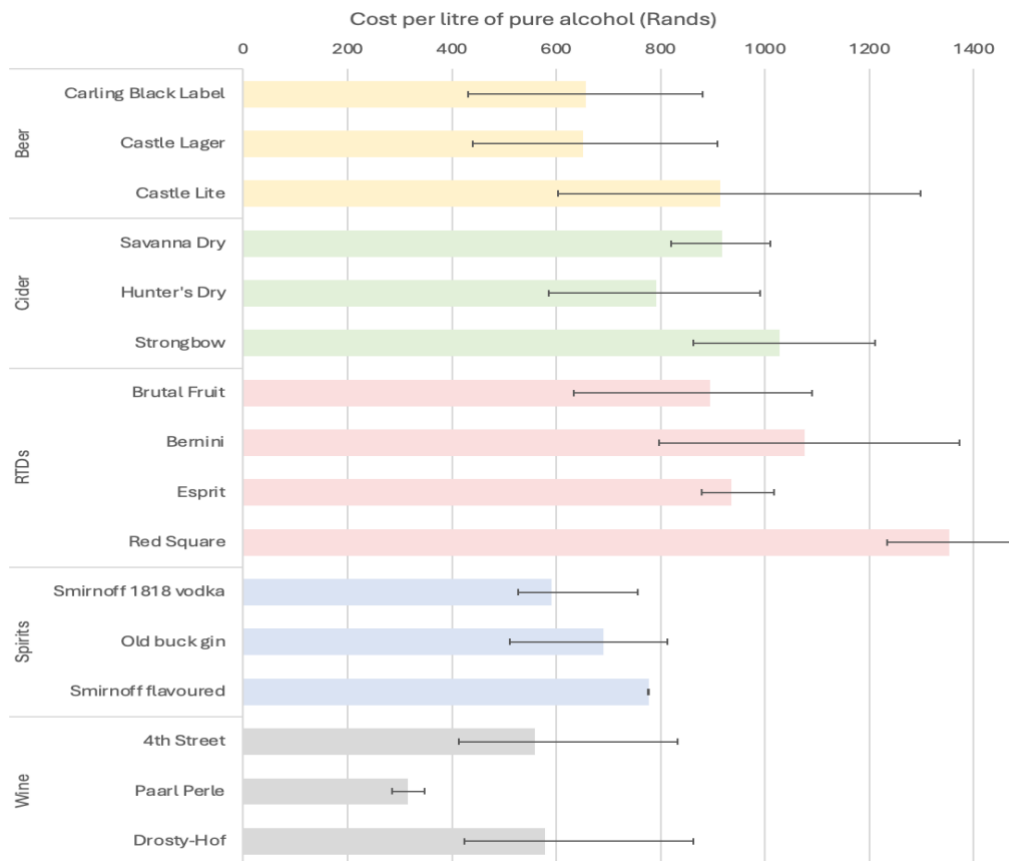
Source: Calculations based on excise data from Republic of South Africa: National Treasury. Budget Review. 2024 • Created with Datawrapper

## CURRENT PRICES

The coloured bars represent the average price per litre of pure alcohol for various alcoholic beverages, sold in a typical supermarket; the thin black bars present the minimum and maximum values. For example, the average cost per litre of AA (indicated by solid bars) for Carling Black Label is R656.05 (based on the unweighted average of 15 different packaging types). The range is shown by the thin black bars: the cheapest way (lowest cost per litre of pure alcohol) to buy Carling Black Label is in the form of 12 X 1L bottles (R431.80/L of AA), while the most expensive (highest cost per litre of pure alcohol) is a single 330ml bottle (R880.99/L of AA).

Measured as the cost/L of AA, Ready-to-Drinks are the most expensive drink type, followed by beers and ciders. The cheapest way to consume alcohol is Paarl Perle wine (6 X 2L) (R286/L of AA), while the most expensive is Red Square (1 X 275ml) (R1480.81/L of AA) (Figure 2).

**Figure 2** | Cost per litre of pure alcohol (Rands)



Sources: (1) Most popular brands from Euromonitor International, *Alcoholic Drinks in South Africa*, <https://www.euromonitor.com/alcoholic-drinks-in-south-africa/report>, June 2023; (2) Retail prices collected online on 4 March 2024 from Shoprite (<https://www.shoprite.co.za>) and Pick n Pay (<https://www.pnp.co.za>); (3) Excise tax rates from Republic of South Africa: National Treasury. 2024 Budget Review. <https://www.treasury.gov.za/documents/National%20Budget/2024/review/FullBR.pdf>. 2024

## RECOMMENDATIONS

1. As far as possible, there should be a **convergence in the excise tax rates** between the various alcohol categories. In the past there has been a divergence, and this is bad for public health as consumers can trade down to cheaper alcoholic beverages.
2. The government should consider **implementing an MUP at the national level**. The Western Cape is currently looking at this from a provincial perspective. It could serve as a test case for national implementation. Also, some negative aspects related to a provincial MUP (such as interprovincial smuggling) would be resolved if it is implemented nationally.
3. The **taxation on wine should be reviewed**. The cost per litre of absolute alcohol is much lower for wine than for beer and spirits.
4. **Increase the excise tax on beer**, given that beer is the drink of choice among South Africans who drink excessively.
5. **Investigate tax administration on sugar-fermented beverages (SFBs)**. Even though SFBs are subject to the same high spirits excise tax, the prices at which SFBs are sold suggest that excise taxes are not paid.
6. **Tax instant beer powder at a higher rate**. Currently, instant beer powder is taxed at the Traditional African beer powder rate. For historical and political reasons Traditional African beer and Traditional African beer powder are taxed at extremely low rates. The best option would be to increase the excise tax on Traditional African beer and Traditional African beer powder. If this is not feasible, an appropriately high tax should be imposed on instant beer powder by creating a new, separate, category for it.
7. **Remove anomalies in the excise tax tables**. Some categories of alcohol (like liqueurs with alcohol content below 23%) are currently taxed at R109.76/L of AA, which is substantially lower than the spirits rate of R274.39/L of AA. Two categories of 'other fermented beverages' are taxed at R109.76/L of AA, which is lower than the beer rate of R135.89 applied to other categories of 'other fermented beverages'.

**FUNDING** | Funding for this research was provided by RESET Alcohol. RESET Alcohol is led by Vital Strategies and funded by Open Philanthropy.

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