

A review of alcohol excise taxation in South Africa

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LIST OF ACRONYMS

AA: Absolute Alcohol

ABV: Alcohol by Volume

AFB: Alcoholic Fruit Beverage

FAB: Flavoured Alcoholic Beverage

MUP: Minimum Unit Pricing

OFB: Other Fermented Beverage

RTD: Ready-to-Drink (includes AFBs and FABs)

SAB: South African Breweries

SACU: Southern African Customs Union

SARS: South African Revenue Service

SAWIS: South African Wine Industry Information and Systems

SFB: Sugar-Fermented Beverage

WHO: World Health Organization

EXECUTIVE SUMMARY

The harmful use of alcohol is a critical public health concern in South Africa. The economic and social costs caused by alcohol consumption are vast. South Africa has the highest reported rates of Fetal Alcohol Syndrome globally. Alcohol consumption contributes to violence, injuries, trauma presentations, mental disorders, infectious diseases, and premature mortality. 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.

Pricing policies are a highly effective measure to reduce alcohol-related harm. In this report, we provide a comprehensive review of the current alcohol market and policy framework. We begin with an international perspective, comparing alcohol consumption, associated harms, and excise tax structures. We then review South Africa's alcohol policies, trends in consumption, and developments in excise tax revenues.

The main focus of the report is excise taxes. In South Africa, 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 (R0.0782/L), and Traditional African beer powder (R0.0347/kg) are applied by volume. These rates are for 2024/25.

While South Africa's excise tax policy framework has many positive features, we provide recommendations to enhance the current policy framework. The main weakness in South Africa'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 and Traditional African beer powder, and instant beer are also very low. There are currently very large differences in the estimated excise duty rates, based on absolute alcohol, for the various alcoholic beverages. The relative differential rates have been widening in South Africa in recent years.

Per litre of pure alcohol, spirits attracts by far the highest excise tax, double that of malt beer. The excise tax based on absolute alcohol for unfortified wine is a fifth of the excise tax for spirits. The excise tax based on the absolute alcohol content for Traditional African beer powder is only 4% of the excise tax for beer. The excise tax on Traditional African beer and Traditional African beer powder has not increased in two decades, with the result that the excise taxes are now negligible. We also noted that two categories in the 'Other Fermented Beverages' category are taxed lower than their counterparts (R109.76/L of AA instead of R135.89/L of AA), liqueurs with less than 23% AA are taxed at R109.76/L of AA (instead of R274.39/L of AA), and pot-stilled brandy is taxed at 10% less than the spirits rate (R246.95/L of AA).

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 a Minimum Unit Price 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 were 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**. Even though they 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 appropriately**. 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. While 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'.

1. INTRODUCTION

The harms from alcohol use are costly to the economy and to society. In 2016, alcohol use led to 2.8 million deaths globally (95% UI 2.4–3.3), and was ranked as the seventh leading risk factor for premature death and disability.¹ Alcohol consumption has a causal impact on more than 200 health conditions (diseases and injuries).²

In 2018, the World Health Organization (WHO) launched the SAFER initiative for ‘a world free from alcohol-related harm’.³ The WHO identified several key interventions to address the harmful use of alcohol, summarised under the SAFER acronym: **S**trengthen restrictions on alcohol availability; **A**dvance and enforce drink-driving countermeasures; **F**acilitate access to screening, brief interventions, and treatment; **E**nforce bans or comprehensive restrictions on alcohol advertising, sponsorship, and promotion; **R**aise prices of alcohol through excise taxes and pricing policies.³ This report focuses on the last of the five interventions.

According to the WHO, raising the excise tax on alcohol is one of the ‘best buys’ to reduce the harmful use of alcohol.⁴ Out of the 88 interventions identified, there are a total of 16 ‘best buys’.⁴ ‘Best buys’ are considered the interventions most cost-effective and feasible for implementation.⁴ These are interventions where a WHO Choice Analysis found an average cost-effectiveness ratio of $\leq$ I\$100 per Disability-Adjusted Life Year averted in low- and lower-middle-income countries.⁴

The cost-effectiveness of these interventions is confirmed by Chrisholm *et al.*,⁵ who, for the year 2010, found that increasing excise taxes has a low cost (<I\$0.10 per capita) and a highly favourable ratio of costs to effects (<I\$100 per healthy life year gained in both low- and high-income settings).⁵ They concluded that pricing policies (and restrictions on alcohol availability and marketing) continue to represent a highly cost-effective use of resources.⁵

Numerous reviews of the scientific evidence have concluded that pricing policies are a highly effective and cost-effective measure to reduce alcohol-related harm.^{6 7 8 9} An extensive body of economic literature has established that the overall price elasticity of alcohol demand is negative, with an average value of approximately -0.5 , meaning that a 1% increase in alcohol prices is associated with a 0.5% reduction in consumption.^{7 10 11}

South Africa, like many other countries, has been using pricing policies (specifically excise taxes) for more than a century. When alcohol excise taxes were introduced, the main aim was to raise government revenue. However, as the government raised income from other sources, and as the harmful effects of alcohol received more prominence, the focus has shifted away from revenue generation to public health gains. Despite this change in focus, alcohol taxes still generate a substantial proportion of government revenue. In 2022/23 alcohol revenue raised R41.5 billion, or 2.5% of total tax revenue.

In May 2014, South Africa’s National Treasury wrote a 100-page review of alcoholic beverage taxation in South Africa.¹² On 27 March 2023, the Minister of Finance said that National Treasury is undergoing an alcohol taxation review process, and that they will soon

publish a discussion paper for public consultation.¹³ The minister noted that their discussion paper will consider all the developments and relevant issues pertaining to the overall alcohol industry and the taxation of alcoholic beverages since the last review was performed in 2014.¹³ In the updated review, National Treasury will specifically consider the excise duty regime on wine in relation to the industry and the excise duty regime for other alcoholic beverages.¹³

This report seeks to contribute to South Africa's alcohol taxation policy, and specifically the upcoming government discussion paper, by conducting a thorough analysis of South Africa's current alcohol excise tax policy. To identify potential gaps, we provide a comprehensive review of the current alcohol market and policy framework. The study begins with an international perspective, comparing alcohol consumption, associated harms, and excise tax structures globally. Shifting focus to South Africa, we provide an in-depth review of South Africa's alcohol policies, trends in consumption, and developments in excise tax revenues. We then identify the gaps in the current excise tax framework, concluding with policy recommendations. We see this report as a discussion document, that can be updated following stakeholder dialogue. As such, we welcome any feedback that can improve the report.

2. SOUTH AFRICA IN THE GLOBAL CONTEXT: ALCOHOL CONSUMPTION & HARM

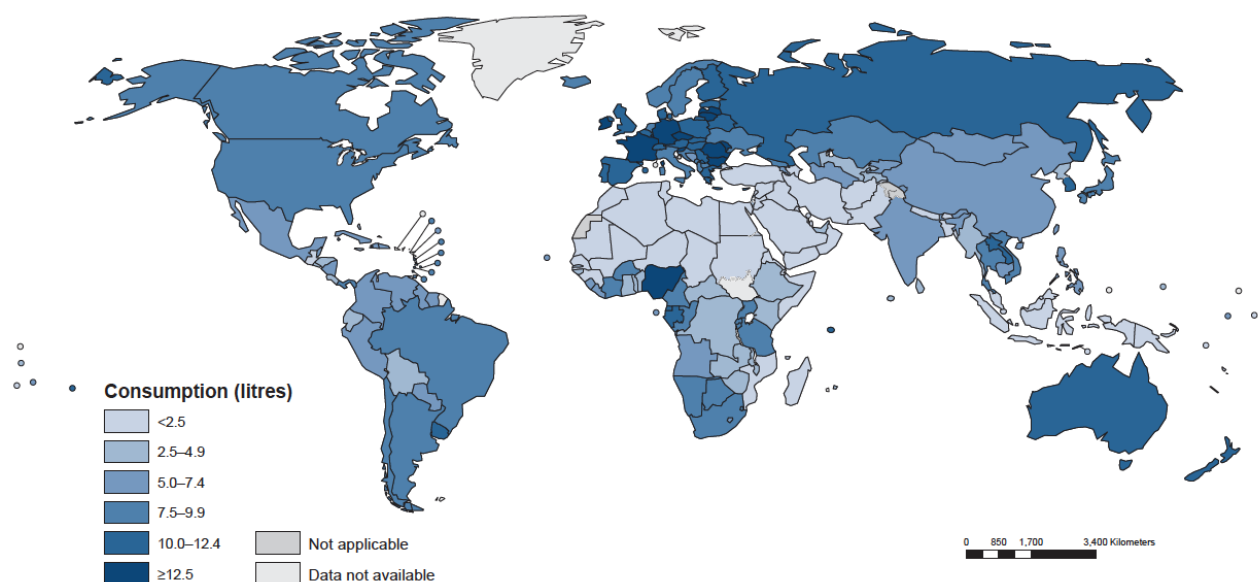
Alcohol is a major public health problem in South Africa, contributing to violence, injuries, trauma presentations, mental disorders, infectious diseases, and premature mortality.^{14 15 16} In 2012, alcohol-attributable harm in South Africa accounted for an estimated 7.1% of all deaths and 5.6% of all disability-adjusted life years (DALYs).¹⁶ Alcohol is an important contributor to the overall disease burden, ranking fifth in terms of deaths and DALYs (after unsafe sex, interpersonal violence, high body mass index, and high systolic blood pressure).^{16 17}

Frequent heavy episodic drinking accounts for the unusually large share of injuries and infectious diseases in the alcohol-attributable burden of disease profile.¹⁶ There are several estimates indicating the number of annual alcohol-attributable deaths in South Africa. Matzopolous *et al.* (2022) estimated that there were 37,366 alcohol-related deaths in 2012.¹⁶ Probst *et al.* (2018) estimated that approximately 62,300 adults died from alcohol-attributable causes in 2015.¹⁸ In a 2024 report, the WHO estimated that 36,248 deaths were attributed to alcohol in 2019.¹⁹ The range for South Africa is therefore around 36,248 to 62,300 death per year.

Survey data from 2015 provide further details on the demographic profile of alcohol consumers. Data from the 2015 National Income Dynamics Study (NIDS) indicate that current alcohol use (any amount) in 2015 was reported by 33.1% of the South African population aged 15+ (47.7% males, 20.2% females).²⁰ Of drinkers, 43.0% reported binge drinking (48.2% males, 32.4% females), where binge drinking is defined as 5 or more standard drinks on a usual drinking day for males and females.²⁰ The prevalence of self-reported binge drinking as a percentage of the total population in 2015 was 14.1% (22.8% males, 6.4% females).²⁰

The WHO estimated that the three-year average for 2015 to 2017 of per capita alcohol consumption by people age 15+ in South Africa was 9.3 litres of pure alcohol.²¹ This is one of the highest on the African continent (Figure 1).

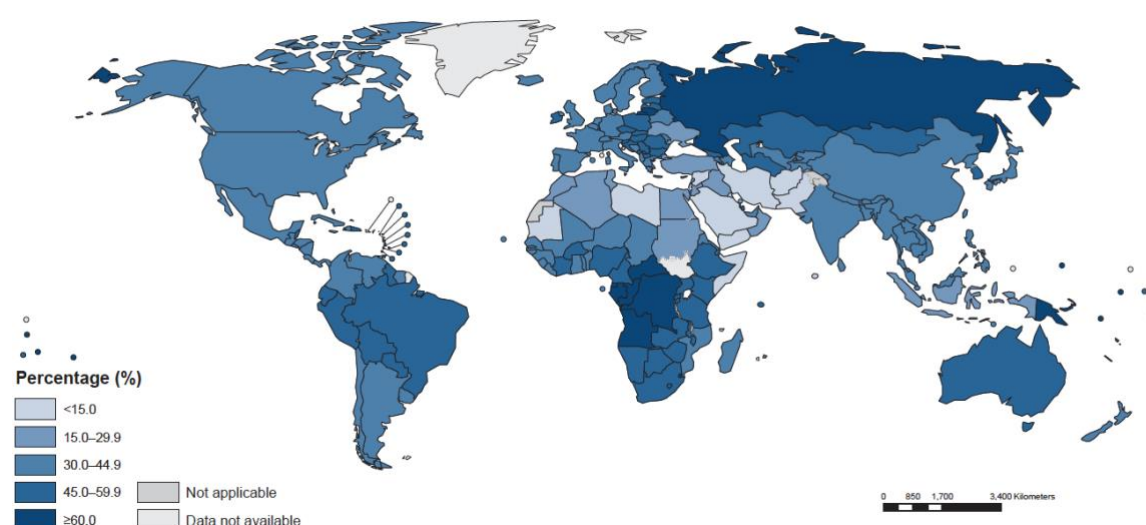
Figure 1 | Total alcohol per capita consumption (15+ years, in litres of pure alcohol), 2016



Source: World Health Organisation. *Global status report on alcohol and health 2018*.
<https://www.who.int/publications/i/item/9789241565639>. 2018

The WHO estimated that 59% of South African drinkers aged 15+ consumed at least 60 grams or more of pure alcohol on at least one occasion in the past 30 days (Figure 2). This is higher than the 43% estimated by Vellios and Van Walbeek,²⁰ who used 2015 NIDS data. The WHO defines heavy episodic drinking (drinkers only) as the proportion of adult drinkers (15+ years) who have had at least 60 grams or more of pure alcohol on at least one occasion in the past 30 days. Vellios and Van Walbeek²⁰ defined heavy episodic drinking using the survey question: ‘On a day that you have an alcoholic drink, how many standard drinks do you *usually* have?’. Vellios and Van Walbeek’s²⁰ estimate is lower, among other things, because they missed drinkers who binged *occasionally*, but who *usually* did not binge.

Figure 2 | Prevalence of heavy episodic drinking among current drinkers (age 15+ years), 2016



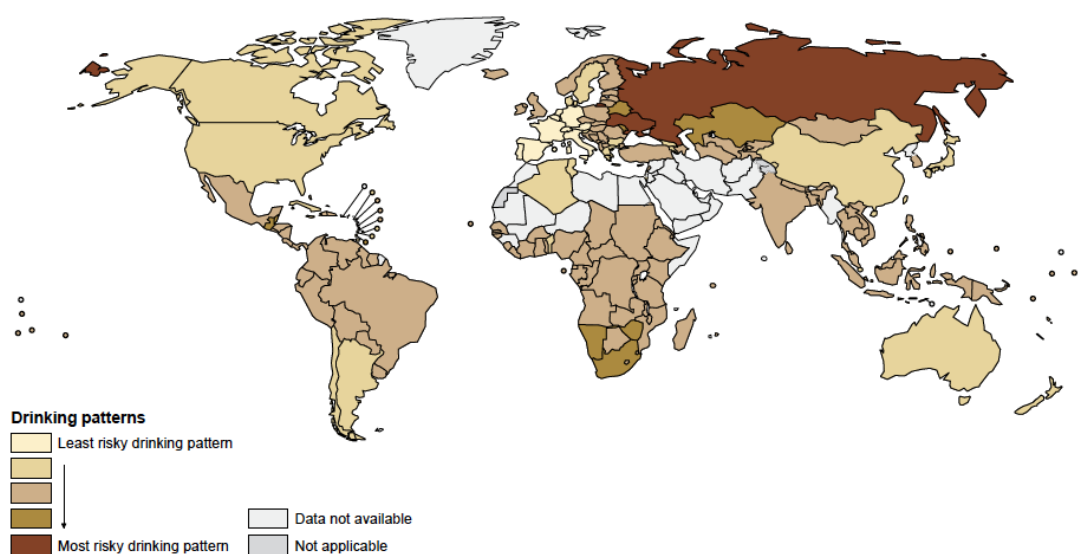
Source: World Health Organisation. *Global status report on alcohol and health 2018*.

<https://www.who.int/publications/i/item/9789241565639>.

Notes: Heavy episodic drinking (HED) is defined as 60 or more grams of pure alcohol on at least one single occasion at least once per month.

Data from 2010 (the most recent that we found) indicate South Africa has one of the highest patterns of drinking scores globally (Figure 3).²² The patterns of drinking score is measured on a scale of 1 (least risky drinking pattern) to 5 (most risky drinking pattern) [2 (somewhat risky), 3 (medium risky), 4 (very risky)].²² The higher the score, the higher the alcohol-attributable burden of disease for the country.²² The score is based on three dimensions: (1) different aspects of heavy-drinking occasions (i.e. high usual quantity of alcohol per occasion, festive drinking common at celebrations, proportion of drinking when drinkers get drunk, and proportion of drinkers who drink daily or nearly daily), (2) drinking with meals, and (3) drinking in public places.²²

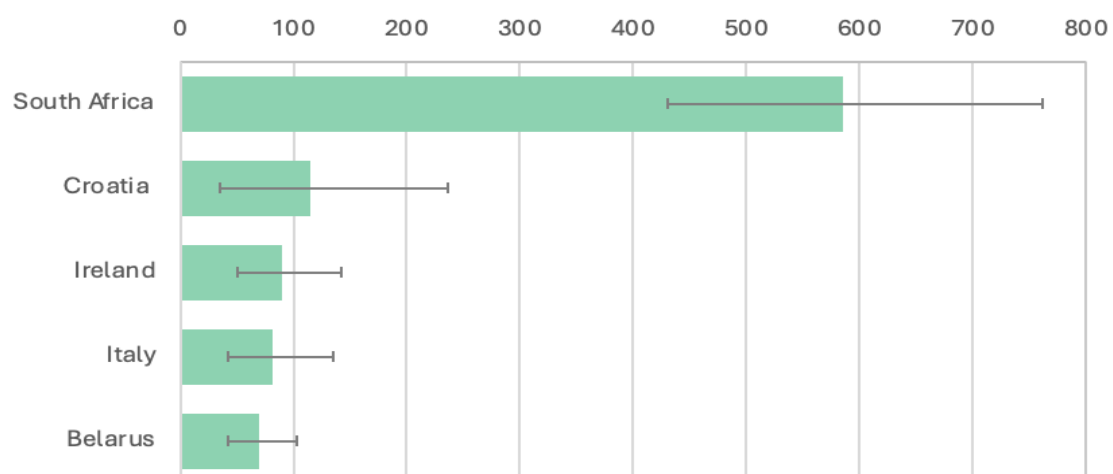
Figure 3 | Patterns of drinking score (age 15+), 2010



Source: World Health Organization. 2014. *Global Status Report in alcohol and Health*.
<https://www.who.int/publications/i/item/global-status-report-on-alcohol-and-health-2014>

Continuing with a global comparative analysis, a 2017 publication by Popova *et al.*²³ shows the prevalence of fetal alcohol syndrome (FAS) for 180 countries. They found that South Africa has the highest rate of FAS in the world by far: estimated at nearly 600 cases per 10 000 people (i.e. 6%). The FAS rate in South Africa is five times higher than the next four countries with the highest rates of FAS (Figure 4). Data from the 2016 South African Demographic and Health Survey (DHS) indicate that 3% of women age 15–49 who had a live birth in the past 5 years reported that they consumed alcohol during the pregnancy of their last birth.²⁴ Women in the Western Cape (7%), Eastern Cape (6%), and Northern Cape (6%) were most likely to consume alcohol during pregnancy.²⁴

Figure 4 | Countries with the highest rates of FAS (95% CIs shown by error bars)



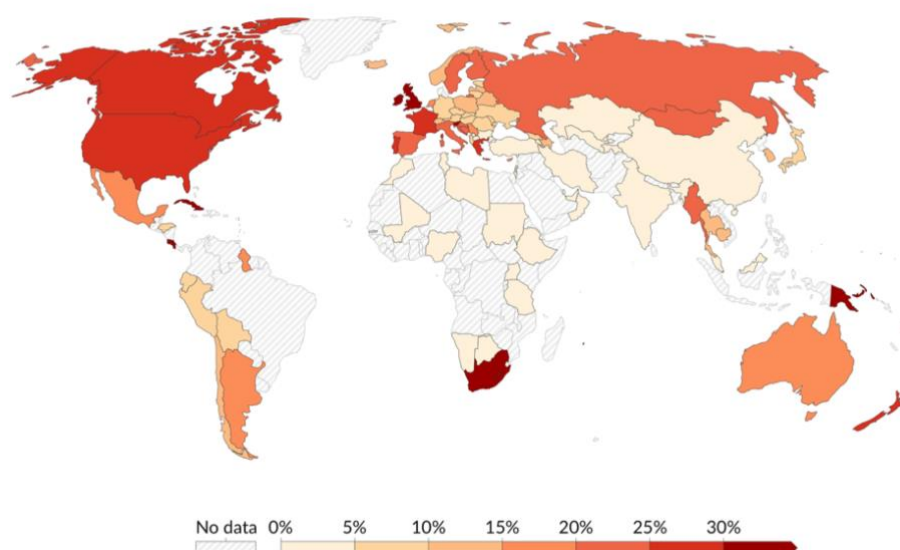
Source: Numbers retrieved from Popova S, Lange S, Probst C, et al. Estimation of national, regional, and global prevalence of alcohol use during pregnancy and fetal alcohol syndrome: a systematic review and meta-analysis. *The Lancet Global Health* 2017;5(3):e290-e99. doi: 10.1016/S2214-109X(17)30021-9

The extreme rates of FAS in South Africa are largely attributable to the ‘dop system’, whereby agricultural workers, especially in the Western Cape and Northern Cape, were partially paid in wine. The ‘dop system’ is believed to be responsible for large-scale harms from alcohol use and for perpetuating a culture of alcohol use and alcohol dependence in rural areas and especially amongst Coloured communities.²⁵ Although it was outlawed in 1960, the practice was only ended in the 1990s.²⁵ Heavy episodic drinking amongst farm workers and rural residents is still driven by the ongoing easy availability of cheap wine in the two provinces.²⁶ The ‘dop system’ led to an alcohol dependence.²⁵ Alcohol use remains deeply embedded in South African culture and history.²⁵

The harmful use of alcohol in South Africa is evident in road traffic death statistics. South Africa has the world’s highest share of road traffic deaths attributable to alcohol (Figure 5). In 2017, an estimated 57.5% of all road traffic deaths were attributable to alcohol consumption.² This is the second highest in the world (after Lesotho at 60%) among countries for which there is data. More recent data indicate that in 2022, 12 436 people died on South African roads.²⁷ If we apply the 57.5% statistic from the 2017 data, then an estimated 7152 road traffic deaths in 2022 were attributable to alcohol consumption.

Figure 5 | Share of road traffic deaths attributed to alcohol, 2017

Share of all road traffic deaths attributed to alcohol consumption above the national legal limit for alcohol consumption. It includes deaths in vehicles, of pedestrians and of cyclists.



Source: Ritchie H, Roser M. Alcohol Consumption. Published online at OurWorldInData.org. Retrieved from: <https://ourworldindata.org/alcohol-consumption#all-charts>. [Online Resource]. 2024

Notes: The authors used WHO data.

In South Africa, the costs of alcohol use to society were estimated at between R245 billion and R280 billion in 2009 (10%–12% of GDP).²⁸ Included in these costs are tangible costs (healthcare, treatment, research and prevention, social and welfare costs, crime response, crime consequence, crime anticipation, road traffic accidents), and intangible costs (premature mortality and morbidity, absenteeism, and non-financial welfare costs).²⁸

3. TYPES OF EXCISE TAXES

Excise taxes can either be applied as a percentage of the monetary value of a beverage (*ad valorem*) or as a fixed amount applied on the beverage (Table 1). Specific taxes can be applied to the **volume** of a beverage (volume-based specific) or the **alcohol content** of a beverage (alcohol-content-based specific) (Table 2).²⁹

From a tax administration perspective, a specific tax is much simpler than an *ad valorem* tax. The tax liability under a specific tax regime is the quantity (or volume) of the product, multiplied by the rate per unit. To determine the tax liability for an *ad valorem* excise tax, the revenue authorities need to know the value of the product and apply the appropriate percentage. Calculating the value is more complex than counting or measuring the product. When *ad valorem* taxes are applied, alcohol producers can reduce their tax liability by reporting a lower base value.²⁵

Some countries apply mixed excise tax systems, mostly involving a specific tax component and an *ad valorem* tax component.²⁹ In some instances, the specific tax component is used as a minimum floor, i.e., the excise tax collected cannot be below this value.²⁹ Mixed excise tax systems can balance the advantages and disadvantages of each excise tax type (Table 1) and offer flexibility, but mixed systems are more complex to administer.²⁹

Table 1 | Types of excise taxes: advantages and disadvantages

	Advantages	Disadvantages
Ad valorem taxes	○ Can raise further revenue, as more expensive products pay more tax. ○ Proportional to the value of the product, which means they automatically adjust for inflation and changes in prices over time.	○ More complex to administer and enforce because they require accurate valuation of goods. ○ Risk of tax avoidance through undervaluation of goods, especially in sectors where valuation is subjective or difficult. ○ Not linked to the alcohol content of the product. ○ Do not effectively target cheap products, as these have a smaller tax base, potentially widening the price dispersion within products and incentivising unintended substitutions to cheaper alcoholic beverages without reducing the quantity of alcohol consumed. ○ Variance in prices encourage consumers to trade down.
Specific taxes	○ Based on quantity rather than value. This simplicity makes them easier to administer and enforce. ○ Since specific taxes are based on quantity, they provide more predictability in revenue collection for the government, assuming the quantity sold remains stable. ○ Effectively target cheap brands, as the same rate applies to all products based on alcohol or volume content, regardless of their price, reducing the incentive to purchasers to shift their demand to cheaper products.²⁹ ○ Not as prone to industry price manipulation as ad valorem excise taxes.²⁹	○ Need to be adjusted regularly or inflation or their real value risks erosion over time.²⁹

Table 2 | Types of bases: advantages and disadvantages

	Advantages	Disadvantages
Volume-based specific tax	○ The cost of administration is relatively low, as it imposes taxes based on the volume, which is less subject to product heterogeneity and does not require measuring of alcohol content or value.⁹ In countries where resources for tax administration are limited, volumetric/unitary taxes could be a good option for taxing alcoholic beverages.⁹	○ Low alcohol content beverages are taxed at the same amount as high alcohol content beverages.
Alcohol-content-based specific excise taxes	○ Target the harm-inducing chemical – ethanol – directly, thereby curbing total ethanol consumption as well as consumption of high-strength alcoholic beverages.⁹ Unlike volumetric/unitary taxes, alcohol-content-based specific	○ Tax incidences are lower for beverages with lower alcohol content, and as such they may not effectively curb consumption of lower-alcohol beverages or delay initiation among young people.⁹ Manufacturers could use

	taxes ensure that alcoholic beverages with more ethanol are taxed at a higher rate.⁹ ○ Unify prices in relative terms across brands of the same alcoholic strength and can be used to incentivize consumers to substitute for alternatives with lower or no alcohol content. They are considered the best design to reduce the health harms of excessive drinking and can also incentivise product reformulation by the industry towards low-alcohol content beverages or alcohol-free versions, which could drive alcohol consumption down beyond a tax-induced decrease in demand.²⁹	pricing strategies to encourage consumption of lower-alcohol beverages by lowering their prices.⁹ They might also respond to alcohol-content-based specific taxes by cross-subsidization: over-shifting the price increase on higher-priced beverages and under-shifting it on lower-priced beverages, thereby avoiding a drop in consumption of their lower-priced goods as well as overall consumption.⁹ One way governments can address this challenge is to introduce a minimum excise tax ensure that excise tax per beverage does not fall below a certain level.⁹
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4. GLOBAL EXCISE TAXES: TAX STRUCTURE & TAX SHARES

Tax structures

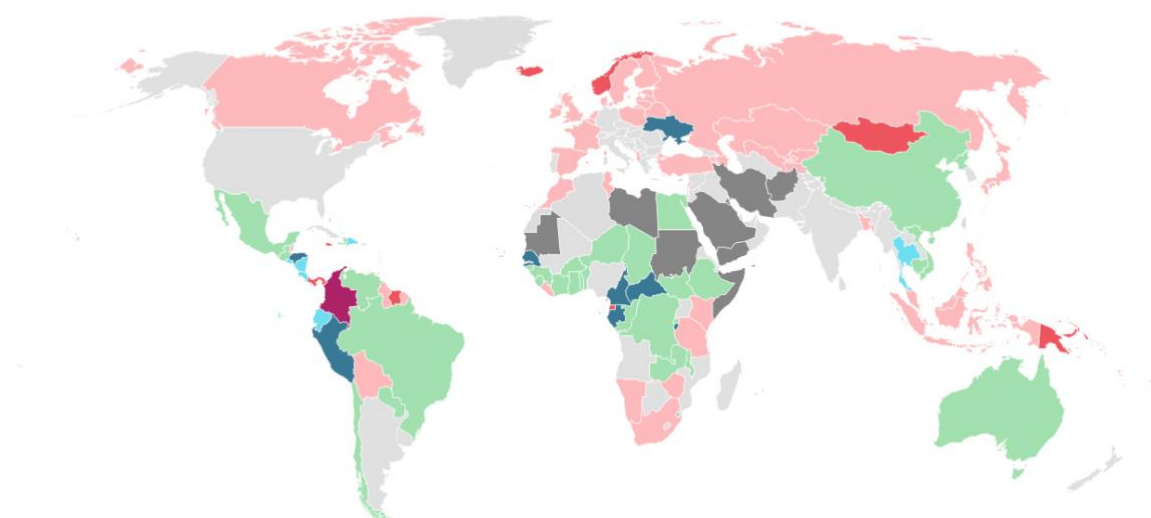
Data on alcohol excise taxes for beer, wine, and spirits were obtained from a dataset released by the WHO in November 2023³⁰ and from a 2023 WHO publication.²⁹ As of July 2022, at least 148 countries apply national-level excise taxes to at least one type of alcoholic beverage.²⁹ Most of the countries that do not apply taxes are located in the Eastern Mediterranean or South-East Asia Regions, where some countries ban the sale of alcohol.²⁹ There are 11 countries that ban the sale of alcohol (Afghanistan, Brunei Darussalam, the Islamic Republic of Iran, Kuwait, Libya, the Maldives, Mauritania, Saudi Arabia, Somalia, Sudan, and Yemen).

In the tables and figures below, we summarise the different tax structures for wine, beer, and spirits, as reported by the WHO. We appreciate that this categorisation misses some of the nuances of the tax structure for individual countries. Nevertheless, we believe it gives a broad geographical overview of global tax structures.

The most common type of excise tax on **wine** is volume-based specific (56 countries, including South Africa), followed by *ad valorem* tax (34 countries) (Figure 6 and Table 3). Eleven countries apply a specific excise tax based on alcohol content. 22 countries do not apply any excise taxes on wine.

Figure 6 | Type of excise tax applied to wine, by country

■ Specific mixed – Alcohol & Volume-specific
 ■ Alcohol-content-based specific
 ■ Volume-based specific
■ Ad valorem
 ■ Mixed – Volume-specific & Ad valorem
 ■ Mixed – Alcohol-specific & Ad valorem
 ■ Alcohol sales prohibited
 ■ Not applied / No data / Other



Created with Datawrapper

Source: Data extracted from the World Health Organization's Global Health Observatory: Global prices and taxes on alcoholic beverages [dataset]. <https://www.who.int/data/gho/data/themes/topics/taxes-on-alcoholic-beverages>. 2023

Table 3 | Type of excise tax applied to wine, by country

Tax type (n=195)	Country/ Territory
Volume-based specific (n=56, 28.7%)	Albania, Andorra, Armenia, Azerbaijan, Bangladesh, Belarus, Belgium, Belize, Bolivia (Plurinational State of), Canada, Denmark, Dominica, Estonia, Fiji, Finland, France, Gambia, Grenada, Guyana, Indonesia, Ireland, Japan, Kazakhstan, Kenya, Kiribati, Kyrgyzstan, Latvia, Lebanon, Liberia, Lithuania, Malaysia, Malta, Mauritius, Monaco, Morocco, Namibia, Netherlands (Kingdom of the), Palau, Philippines, Poland, Russian Federation, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Seychelles, South Africa , Spain, Sweden, Tajikistan, Tunisia, Turkey, United Kingdom of Great Britain and Northern Ireland, United Republic of Tanzania, Uzbekistan, Vanuatu , Zimbabwe
Ad valorem (n=34, 17.4%)	Australia, Bahamas, Benin, Brazil, Burkina Faso, Cambodia, Chad, Chile, China, Congo, Côte d'Ivoire, Democratic Republic of the Congo, Egypt, Eswatini, Ethiopia, Ghana, Guatemala, Guinea, Guinea-Bissau, Haiti, Malawi, Mexico, Niger, Paraguay, Republic of Korea, Rwanda, Saint Kitts and Nevis, Sierra Leone, South Sudan, Togo, Tuvalu, Venezuela (Bolivarian Republic of), Viet Nam, Zambia
Alcohol-content-based specific (n=11, 5.6%)	Cook Islands, Equatorial Guinea, Iceland, Jamaica, Mongolia, Norway, Panama, Papua New, Guinea, Singapore, Suriname, Tonga
Mixed – Alcohol-specific & Ad valorem (n=6, 3.1%)	Costa Rica, Dominican Republic, Ecuador, El Salvador, Nicaragua, Thailand
Mixed – Volume-specific & Ad valorem (n=10, 5.1%)	Burundi, Cabo Verde, Cameroon, Central African Republic, Gabon, Honduras, Peru, Sao Tome and Principe, Senegal, Ukraine
Specific mixed – Alcohol & Volume-specific (n=1, 0.5%)	Colombia
Other (n=6, 3.1%)	Eritrea, Madagascar, Mozambique, Myanmar, New Zealand, Uganda
Sales of alcohol prohibited (n=11, 5.6%)	Afghanistan, Brunei Darussalam, Iran (Islamic Republic of), Kuwait, Libya, Maldives, Mauritania, Saudi Arabia, Somalia, Sudan, Yemen
NA (n=5, 2.6%)	Antigua and Barbuda, Cuba, Iraq, Marshall Islands, Nauru

Not applied (n=22, 11.3%)	Argentina, Austria, Bulgaria, Croatia, Cyprus, Czechia, Georgia, Germany, Greece, Hungary, Israel, Italy, Luxembourg, Montenegro, North Macedonia, Portugal, Republic of Moldova, Romania, Slovakia, Slovenia, Switzerland, Uruguay
Data not reported / not available (n=33, 16.9%)	Algeria, Angola, Bahrain, Barbados Bhutan, Bosnia and Herzegovina, Botswana, Comoros, Democratic People's Republic of Korea, Djibouti, India, Jordan, Lao People's Democratic Republic, Lesotho, Mali, Micronesia (Federated States of), Nepal, Nigeria, Niue, occupied Palestinian territory, Oman, Pakistan, Qatar, San Marino, Serbia, Solomon Islands, Sri Lanka, Syrian Arab Republic, Timor-Leste, Trinidad and Tobago, Turkmenistan, United Arab Emirates, United States of America

Source: World Health Organization. *The Global Health Observatory: Global prices and taxes on alcoholic beverages [dataset]*. <https://www.who.int/data/gho/data/themes/topics/taxes-on-alcoholic-beverages.2023>

Data on the top 15 wine producing countries were obtained from the International Organisation of Vine and Wine (Table 4).³¹ In 2022, the top wine-producing countries by volume were Italy, France, and Spain. South Africa ranked eighth (10.3 million hectolitres).³¹ The South African Wine Industry Information and Systems reports the same number, 10.3 million hectolitres, so it is likely that SAWIS is the source for the South African data. There is no obvious pattern in the type of taxes applied to wine in these 15 top wine-producing countries. Volume-based specific taxes are applied in France, Spain, South Africa, and Russia.³⁰ Italy, Argentina, Germany, Portugal, and Romania do not apply any excise tax to wine.³⁰ Australia, Chile, China, and Brazil apply ad valorem taxes.³⁰

There is also no obvious pattern relating the types of taxes applied and the patterns of drinking scores (Table 4). South Africa's drinking patterns do not correspond to the drinking patterns of the 10 most prominent wine-producing countries. While South Africa scores a 4 (very risky), the other nine countries score a 1 (least risky) or a 2 (somewhat risky). Among all 15 wine-producing countries, only Russia scores worse than South Africa (5: most risky).

Table 4 | Top 15 wine-producing countries in the world

	Production in 2022 (million hectolitres)	Type of tax applied to wine, 2022	Patterns of drinking score, 2010
1. Italy	49.8	Not applied	1
2. France	45.8	Volume-based specific	1
3. Spain	35.7	Volume-based specific	1
4. United States	22.4	Various (depends on state)	2
5. Australia	13.1	Ad valorem	2
6. Chile	12.4	Ad valorem	2
7. Argentina	11.5	Not applied	2
8. South Africa	10.3	Volume-based specific	4
9. Germany	8.9	Not applied	1
10. Portugal	6.8	Not applied	1
11. Russia	4.9	Volume-based specific	5
12. China	4.2	Ad valorem	2
13. Romania	3.8	Not applied	3
14. New Zealand	3.8	Other ⁱ	2
15. Brazil	3.2	Ad valorem	3

Notes: Patterns of drinking scores: 1: least risky drinking pattern, 2: somewhat risky, 3: medium risky, 4: very risky, 5: most risky.

Sources: (1) Production figures obtained from the International Organisation of Vine and Wine. World Wine Production Outlook.

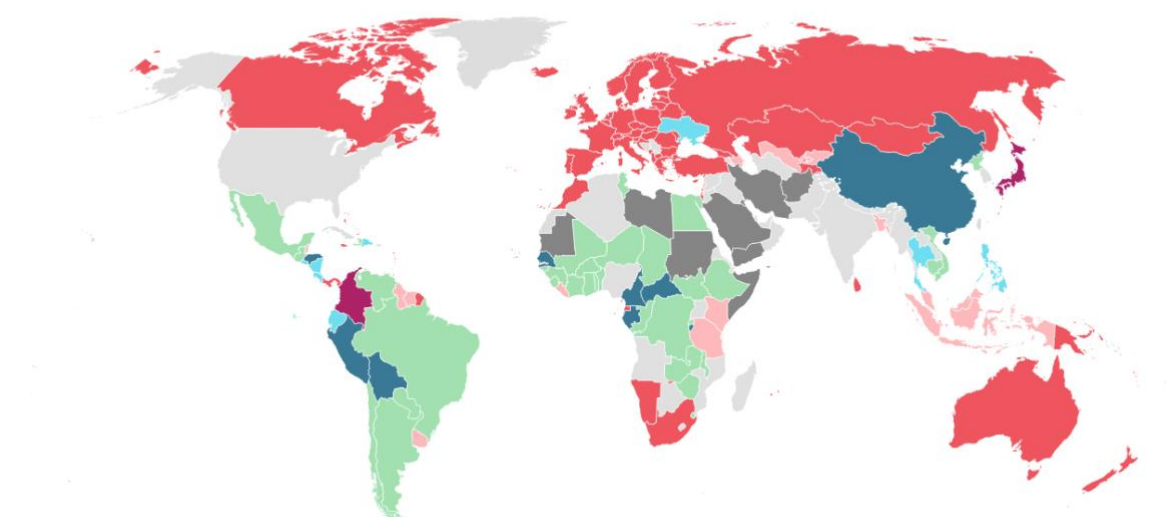
https://www.oiv.int/sites/default/files/documents/OIV_World_Wine_Production_Outlook_2023.pdf. 7 November 2023. (2) Type of tax applied to wine obtained from World Health Organization. The Global Health Observatory: Global prices and taxes on alcoholic beverages [dataset]. <https://www.who.int/data/gho/data/themes/topics/taxes-on-alcoholic-beverages.2023>. (3). Patterns of drinking scores obtained from WHO's 2014 Global Status Report in alcohol and Health. <https://www.who.int/publications/i/item/global-status-report-on-alcohol-and-health-2014>.

ⁱ In New Zealand, the type of specific excise tax applied to wine varies based on the alcohol concentration. Wines below 14% ABV are taxed using a volume-based specific tax, while wines above this threshold are taxed using an alcohol-content-based specific tax.

The most common type of excise tax on **spirits** is a specific excise tax based on alcohol content (62 countries, including South Africa), followed by *ad valorem* taxes (35 countries) (Figure 7 and Table 5). While volume-specific excise taxes are popular for wine (56 countries), only 23 countries apply volume-based specific taxes to spirits.

Figure 7 | Type of excise tax applied to spirits, by country

■ Specific mixed – Alcohol & Volume-specific
 ■ Alcohol-content-based specific
 ■ Volume-based specific
■ Ad valorem
 ■ Mixed – Volume-specific & Ad valorem
 ■ Mixed – Alcohol-specific & Ad valorem
 ■ Alcohol sales prohibited
 ■ Not applied / No data / Other



Created with Datawrapper

Source: Data extracted from the World Health Organization's Global Health Observatory: Global prices and taxes on alcoholic beverages [dataset]. <https://www.who.int/data/gho/data/themes/topics/taxes-on-alcoholic-beverages>. 2023

Table 5 | Type of excise tax applied to spirits, by country

Tax type (n=195)	Country/ Territory
Volume-based specific (n=23, 11.8%)	Azerbaijan, Bangladesh, Belize, Dominica, Gambia, Guyana, Indonesia, Kenya, Kiribati, Kyrgyzstan, Lebanon, Liberia, Malaysia, Palau, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Seychelles, Suriname, United Republic of Tanzania, Uruguay, Uzbekistan, Vanuatu
Ad valorem (n=35, 18.0%)	Argentina, Benin, Brazil, Burkina Faso, Cambodia, Chad, Chile, Congo, Côte d'Ivoire, Democratic Republic of the Congo, Egypt, Eswatini, Ethiopia, Ghana, Guatemala, Guinea, Guinea-Bissau, Haiti, Malawi, Mali, Mexico, Niger, Paraguay, Republic of Korea, Rwanda, Saint Kitts and Nevis, Sierra Leone, South Sudan, Togo, Tunisia, Tuvalu, Venezuela (Bolivarian Republic of), Viet Nam, Zambia, Zimbabwe
Alcohol-content-based specific (n=62, 31.8%)	Albania, Andorra, Australia, Austria, Bahamas, Belarus, Belgium, Bulgaria, Canada, Cook Islands, Croatia, Cyprus, Czechia, Denmark, Equatorial Guinea, Estonia, Finland, France, Georgia, Germany, Greece, Grenada, Hungary, Iceland, Ireland, Israel, Italy, Jamaica, Kazakhstan, Latvia, Lithuania, Luxembourg, Malta, Mauritius, Monaco, Mongolia, Montenegro, Morocco, Namibia, Netherlands (Kingdom of the), New Zealand, North Macedonia, Norway, Panama, Papua New Guinea, Poland, Portugal, Republic of Moldova, Romania, Russia ²² n Federation, Singapore, Slovakia, Slovenia, South Africa , Spain, Sri Lanka, Sweden, Switzerland, Tajikistan, Tonga, Türkiye, United Kingdom of Great Britain and Northern Ireland
Mixed – Alcohol-specific & Ad valorem (n=8, 4.1%)	Costa Rica, Dominican Republic, Ecuador, El Salvador, Nicaragua, Philippines, Thailand, Ukraine
Mixed – Volume-specific & Ad valorem (n=11, 5.6%)	Bolivia (Plurinational State of), Burundi, Cabo Verde, Cameroon, Central African Republic, China, Gabon, Honduras, Peru, Sao Tome and Principe, Senegal

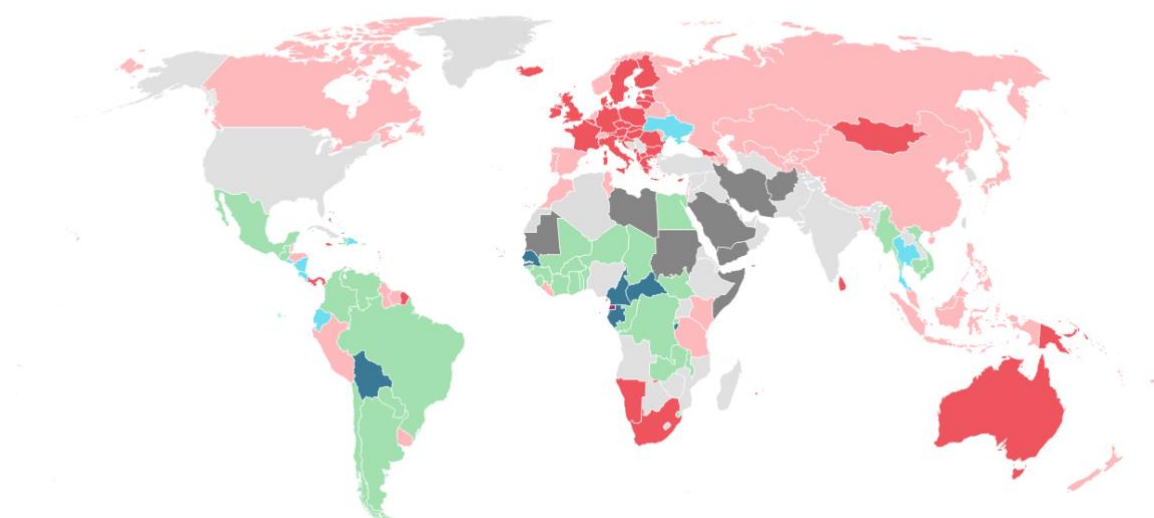
Specific mixed – Alcohol & Volume-specific (n=2, 1.0%)	Colombia, Japan
Other (n=7, 3.6%)	Armenia, Eritrea, Fiji, Madagascar, Mozambique, Myanmar, Uganda
Sales of alcohol prohibited (n=11, 5.6%)	Afghanistan, Brunei Darussalam, Iran (Islamic Republic of), Kuwait, Libya, Maldives, Mauritania, Saudi Arabia, Somalia, Sudan, Yemen
NA (n=5, 2.6%)	Antigua and Barbuda, Cuba, Iraq, Marshall Islands, Nauru
Data not reported / not available (n=31, 15.9%)	Algeria, Angola, Bahrain, Barbados, Bhutan, Bosnia and Herzegovina, Botswana, Comoros, Democratic People's Republic of Korea, Djibouti, India, Jordan, Lao People's Democratic Republic, Lesotho, Micronesia (Federated States of), Nepal, Nigeria, Niue, occupied Palestinian territory, Oman, Pakistan, Qatar, San Marino, Serbia, Solomon Islands, Syrian Arab Republic, Timor-Leste, Trinidad and Tobago, Turkmenistan, United Arab Emirates, United States of America

Source: World Health Organization. The Global Health Observatory: Global prices and taxes on alcoholic beverages [dataset]. <https://www.who.int/data/gho/data/themes/topics/taxes-on-alcoholic-beverages>. 2023

For **beer**, volume-based specific taxes are applied in 48 countries, *ad valorem* in 33 countries and alcohol-content-based specific taxes in 43 countries (including South Africa) (Figure 8 and Table 6).

Figure 8 | Type of excise tax applied to beer, by country

■ Specific mixed – Alcohol & Volume-specific
 ■ Alcohol-content-based specific
 ■ Volume-based specific
 ■ Ad valorem
 ■ Mixed – Volume-specific & Ad valorem
 ■ Mixed – Alcohol-specific & Ad valorem
 ■ Alcohol sales prohibited
 ■ Not applied / No data / Other



Created with Datawrapper

Source: Data extracted from the World Health Organization's Global Health Observatory: Global prices and taxes on alcoholic beverages [dataset]. <https://www.who.int/data/gho/data/themes/topics/taxes-on-alcoholic-beverages>. 2023

Table 6 | Type of excise tax applied to beer, by country

Tax type (n=195)	Country/ Territory
Volume-based specific (n=48, 24.6%)	Andorra, Armenia, Azerbaijan, Bangladesh, Belarus, Belize, Canada, China, Dominica, Fiji, Gambia, Guyana, Honduras, Indonesia, Israel, Japan, Kazakhstan, Kenya, Kiribati, Kyrgyzstan, Lebanon, Liberia, Malaysia, Mauritius, Morocco, Netherlands (Kingdom of the), New Zealand,, Norway, Palau, Peru, Philippines, Portugal, Republic of Korea, Republic of Moldova, Russian Federation, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Seychelles, Spain, Suriname, Switzerland, Tajikistan, Tunisia, United Republic of Tanzania, Uruguay, Uzbekistan, Vanuatu

Ad valorem (n=33, 16.9%)	Argentina, Benin, Brazil, Burkina Faso, Cambodia, Chad, Chile, Colombia, Congo, Côte d'Ivoire, Democratic Republic of the Congo, Egypt, Eswatini, Ghana, Guatemala, Guinea, Guinea-Bissau, Haiti, Malawi, Mali, Mexico, Myanmar, Niger, Paraguay, Rwanda, Saint Kitts and Nevis, Sierra Leone, South Sudan, Togo, Tuvalu, Venezuela (Bolivarian Republic of), Viet Nam, Zambia
Alcohol-content-based specific (n=43, 22.1%)	Albania, Australia, Austria, Belgium, Bulgaria, Cook Islands, Croatia, Cyprus, Czechia, Denmark, Estonia, Finland, France, Georgia, Germany, Greece, Grenada, Hungary, Iceland, Ireland, Italy, Jamaica, Latvia, Lithuania, Luxembourg, Malta, Monaco, Mongolia, Montenegro, Namibia, North Macedonia, Panama, Papua New Guinea, Poland, Romania, Singapore, Slovakia, Slovenia, South Africa , Sri Lanka, Sweden, Tonga, United Kingdom of Great Britain and Northern Ireland
Mixed – Alcohol-specific & Ad valorem (n=7, 3.6%)	Costa Rica, Dominican Republic, Ecuador, El Salvador, Nicaragua, Thailand, Ukraine
Mixed – Volume-specific & Ad valorem (n=9, 4.6%)	Bahamas, Bolivia (Plurinational State of), Burundi, Cabo Verde, Cameroon, Central African Republic, Gabon, Sao Tome and Principe, Senegal
Specific mixed – Alcohol & Volume-specific (n=1, 0.5%)	Equatorial Guinea
Other (n=6, 3.1%)	Eritrea, Ethiopia, Madagascar, Mozambique, Turkey, Uganda
Sales of alcohol prohibited (n=11, 5.6%)	Afghanistan, Brunei Darussalam, Iran (Islamic Republic of), Kuwait, Libya, Maldives, Mauritania, Saudi Arabia, Somalia, Sudan, Yemen
NA (n=5, 2.6%)	Antigua and Barbuda, Cuba, Iraq, Marshall Islands, Nauru
Not applied (n=1, 0.5%)	Zimbabwe
Data not reported / not available (n=31, 15.9%)	Algeria, Angola, Bahrain, Barbados, Bhutan, Bosnia and Herzegovina, Botswana, Comoros, Democratic People's Republic of Korea, Djibouti, India, Jordan, Lao People's Democratic Republic, Lesotho, Micronesia (Federated States of), Nepal, Nigeria, Niue, occupied Palestinian territory, Oman, Pakistan, Qatar, San Marino, Serbia, Solomon Islands, Syrian Arab Republic, Timor-Leste, Trinidad and Tobago, Turkmenistan, United Arab Emirates, United States of America

Source: World Health Organization. *The Global Health Observatory: Global prices and taxes on alcoholic beverages [dataset]*. <https://www.who.int/data/gho/data/themes/topics/taxes-on-alcoholic-beverages>. 2023

Volume-based specific excise taxes are the most prevalent type of excise-tax systems applied to beer and wine, while alcohol-content-based specific excise tax systems are the most prevalent for spirits.

While there is no obvious geographic pattern for the type of tax structure for wines, there are some patterns for spirits and beers. For spirits, alcohol-content-based specific taxes are common in Europe, while *ad valorem* taxes are common in Africa and South America. For beer, alcohol-content-based specific taxes are common in Europe (but less common than for spirits), and *ad valorem* taxes are common in Africa and South America.

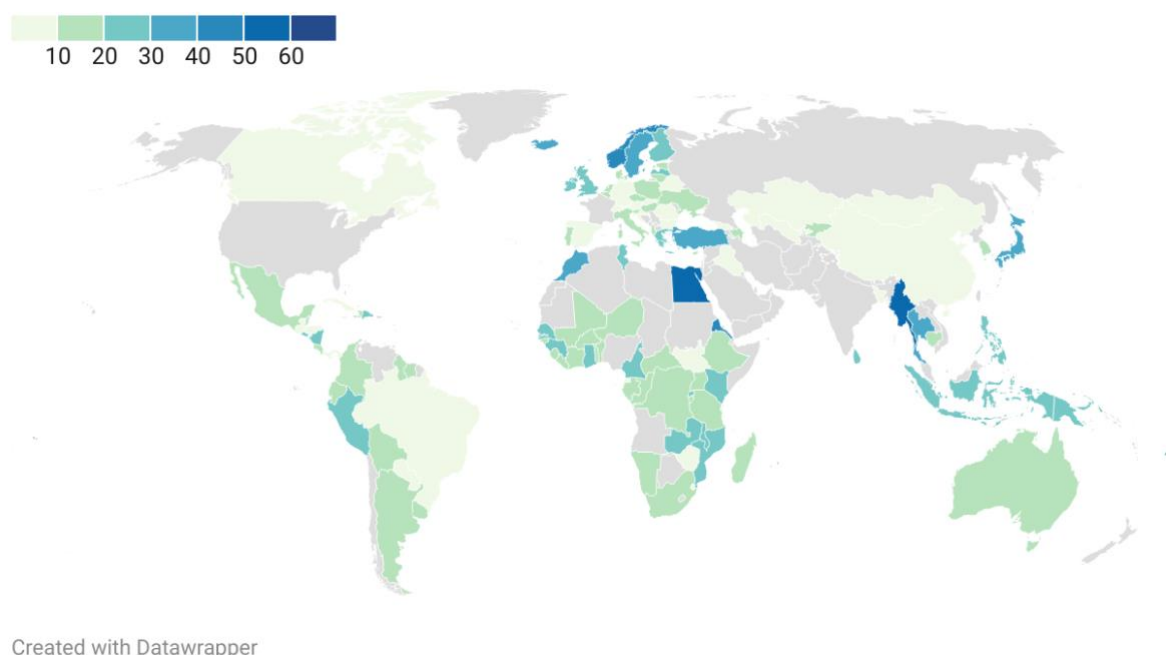
Excise tax shares

An excise tax share is calculated as the excise tax divided by the retail price. Excise tax shares have been used for many years for both tobacco and alcohol. The excise tax share is an imperfect measure because it relies heavily on the price (which is the denominator). It is a subject of much criticism. Nevertheless, it is used as the main indicator in tax-policy discussions. For example, in the tobacco-control space, policymakers nearly always refer to the 70% excise tax target for cigarettes when they are adjusting their excise taxes. Excise tax shares are often used for cross-country comparisons, as we do below.

In July 2022, the WHO collected global price data on the most popular 330ml beer and 750ml spirits. We checked the WHO's data for beer and spirits in South Africa against price data received directly from Statistics South Africa. For spirits, WHO price data aligned well with Statistics South Africa data (R170 versus R164.92 for a 750ml Smirnoff 1818 vodka), and we therefore left the WHO data unchanged. For beer, however, the WHO reported a retail price of R7.26 (from Shoprite) for a 330ml Castle Lager. This is much lower than prices collected by Statistics South Africa. We therefore used WHO beer data for other countries, but used beer data from Statistics South Africa for South Africa. We use price data from Carling Black Label (priced similarly to Castle Lager) as it is reported as the most popular brand by Euromonitor.³²

In South Africa, the excise tax on beer in 2022/23 was R121.51/L of AA. In July 2022, the average price of a 330ml Carling Black Label beer (most popular brand) with 5.5% alcohol by volume (ABV) was R14.91 (based on six price points from four provinces).ⁱⁱ The excise tax on this beverage was R2.20 ($121.51 \times 0.055 \times 0.33$). The excise tax share as a percentage of the retail price is 14.9% ($2.2/14.91$). Compared to 130 countries for which there are data and alcohol sales in legal, the beer excise tax share as a percentage of the retail price ranks 60th, out of 130 countries, for the highest excise tax on beer (Figure 9).

Figure 9 | Excise tax share for the most sold brand of a 330ml beer, July 2022



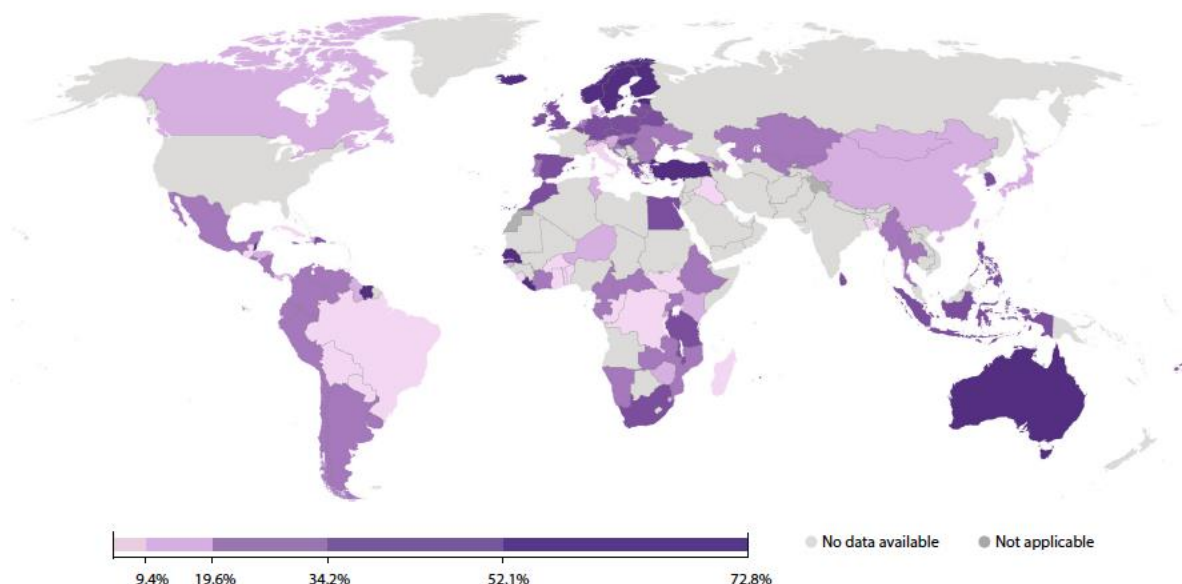
Source: Data extracted from the World Health Organization's Global Health Observatory: Global prices and taxes on alcoholic beverages [dataset]. <https://www.who.int/data/gho/data/themes/topics/taxes-on-alcoholic-beverages>. 2023 and Statistics South Africa, Alcohol Beverage price data, July 2022.

In South Africa, the excise tax on spirits in 2024/25 is R274.39/L of AA. For spirits, South Africa, ranks 22nd out of 126 countries for the highest excise tax on spirits (Figure 10).

ⁱⁱ The most common packaging types are 440 ml, 750ml and 1L. 330 ml was used to facilitate comparison with other countries.

The excise tax on a 750ml bottle of Smirnoff 1818 vodka with 43% pure alcohol was R79.06 (R245.15*0.43). The excise tax share as a percentage of the retail price is 46.5% (79.06/170).

Figure 10 | Excise tax share for the most-sold brand of the most-sold type of spirits, 750ml, as of July 2022



Source: World Health Organization. 2023. Global report on the use of alcohol taxes. <https://www.who.int/publications/i/item/9789240086104>.

5. SOUTHERN AFRICA CUSTOMS UNION (SACU)

SACU is a customs union that includes South Africa, Botswana, Lesotho, Namibia, and Eswatini. Countries belonging to SACU levy the same level of excise taxes on alcoholic beverages. Through the SACU agreement, an increase in the alcohol excise tax in South Africa simultaneously increases the excise tax in the other four countries.²⁵ All excise taxes are pooled and the revenue is shared according to a formula.²⁵ This allows all excise taxes to be paid at the point of production and allows the free movement of goods between the countries.²⁵ SACU countries apply the same import tariffs on products imported from outside the customs union.²⁵ However, SACU countries have somewhat different rates of Value-Added Tax (VAT).²⁵ This, together with differences in supply chain and marketing costs, results in slightly different prices, but generally retail prices for alcohol in the SACU region should be broadly similar, given the high degree of economic integration in the region.

An exception is Botswana. Botswana imposed an additional *ad valorem* alcohol levy of 30% in 2008 and increased it to 40% in 2010, 45% in 2012, and 55% in 2014 for beverages with more than 5% alcoholic strength.^{33 34} The alcohol levy resulted in a substantially higher total tax burden than in neighbouring countries.²⁵ This levy was reduced to 35% in 2018, as a result of a change of government and pressure from the alcohol industry.¹⁵

The levy is charged on the cost of production for domestically produced beverages and on the cost, insurance and freight (CIF) value for imported products.²⁵ Defining it as a levy rather than an excise tax allows Botswana to raise its effective tax above the SACU level

and also allows them to enjoy the additional revenue from this levy since it is not included in the excise tax revenue-sharing pool.²⁵

Importantly, South Africa's annual budget reviews report excise tax revenue for the SACU region, not for just for South Africa. It is not possible to distill South Africa's excise revenue from the publicly-available figures in the Budget Reviews. As such, the excise tax revenues overstate the excise revenues of South Africa. This overstatement is not negligible, but should also not be exaggerated. Of the five countries, South Africa's population accounts for about 88% of the population in the SACU region.³⁵

6. ALCOHOL POLICY IN SOUTH AFRICA

To provide an overview of alcohol policy in South Africa, we use the WHO's 'SAFER' framework: **S**trengthen restrictions on alcohol availability; **A**dvance and enforce drink-driving countermeasures; **F**acilitate access to screening, brief interventions, and treatment; **E**nforce bans or comprehensive restrictions on alcohol advertising, sponsorship, and promotion; **R**aise prices on alcohol through excise taxes and pricing policies.

South Africa's progress using the SAFER framework

Strengthen restrictions on alcohol availability

Alcohol is widely available at major retailers, as well as in taverns and shebeens, which are ubiquitous in townships.

Alcohol trading times are under the jurisdiction of provincial/local municipalities (all other policies are set at the national level).

The Limpopo government tried to reduce the time limit for on-site drinking from 2:00 a.m. to midnight. The legislation was challenged by the alcohol industry, and, in September 2023, the court ruled in favour of the industry, mainly because the right procedures were not followed.³⁶ An appeal is being lodged.

In the Western Cape, there used to be restrictions on Sunday sales but these restrictions have been removed. Cape Town used to have a 2 a.m. restriction on on-site consumption sales in business areas but following pushback from the liquor traders outlets can now apply for an exemption to trade until 4 a.m. Several research reports have looked at the effect of liquor trading hours.

In 2021, BP Radiokop in Gauteng was the first petrol station in South Africa to be granted a licence to sell wine.³⁷ Despite an outcry from the public health community, the licence was not revoked. In 2022, a BP petrol station in Sea Point, Cape Town, was denied a liquor licence following objections from a local ratepayers' and residents' association.³⁸

Advance and enforce drink-driving countermeasures

The legal blood or breath alcohol concentration limit in South Africa for drivers on public roads is less than 0.05g of alcohol per 100millilitres of blood drawn (< 0.05% Blood-alcohol-Concentration (BAC) or 0.24milligrams per litre of exhaled breath (Breather-Alcohol-Concentration (BrAC)).³⁹ The limit has been in place since 1996, when the BAC was reduced from 0.08% BAC to 0.05% BAC.⁴⁰ The limit for professional drivers (e.g., bus, taxi, courier, and truck drivers) is less than 0.02g of alcohol per 100millilitres of blood drawn (< 0.02% BAC) or 0.10milligrams per litre of exhaled air (BrAC).³⁹

Offenders face minimum fine of R2 000 or imprisonment, or both.⁴¹ The 2020 Road Traffic Amendment Bill⁴² proposed dropping the maximum allowable BAC for drivers to zero but this was removed by the Portfolio Committee in 2022 based on pressure from the Automobile Association and other parties.⁴³ The Bill has still not been passed.

Facilitate access to screening, brief interventions and treatment

Services in the health sector are provided through primary health care (PHC) facilities. People who present with severe alcohol problems (acute withdrawal symptoms) are referred to detox facilities (where they exist). Although limited, there are affordable, stand-alone substance use treatment options available in South Africa.⁴⁴ In Cape Town, these include intensive outpatient programs using a 16-week, largely group-based intervention, that includes a primary focus on early recovery and relapse prevention (called the Matrix model). The Matrix model, developed in the US, has been implemented by the City of Cape Town's Health department to provide a freely available treatment program co-located in PHC clinics that offer a range of health services, including HIV care.⁴⁴

Many screening instruments exist, such as the Alcohol Use Disorders Identification Test (AUDIT) questionnaire or the Alcohol, Smoking and Substance Involvement Screening Test (ASSIST). The opportunity to routinely screen people coming to general primary health care services or specialist services (like HIV, TB, and diabetes clinics) is in many cases not taken. The reasons for these missed screening opportunities include: the volume of people needing services, the lack of time available for nurses, doctors, and other health workers to undertake screenings, gaps in the training of PHC staff, and a shortage of appropriate places to refer people to.

Currently many people who need help addressing problem drinking are not able to access it. Public Health Care (PHC) staff need to be trained in Screening, Brief Intervention, and Referral to Treatment (SBIRT) methods. Freeing up time for health workers to do the screening is essential, as is support to staff doing the screening, and continual encouragement to follow up at subsequent visits with persons whom they have screened. The number of places (including those appropriate for youth) to which people can be referred if they score high on screening instruments needs to increase. Since problem drinking is higher among men than women, and since men are far less

likely to frequent PHC services than women, reaching men is important. This could be done through places of work, recreation, and possibly even drinking establishments. Workplaces, as part of their Occupational Health Services, should also routinely screen employees in the same way that they screen for hypertension or diabetes. People who present with an alcohol-related injuries in emergency services (trauma centres) should also be provided with SBIRT.⁴⁵ SBIRT should be integrated as part of school counselling practices.

Enforce bans or comprehensive restrictions on alcohol advertising, sponsorship, and promotion

Currently, alcohol advertising standards in South Africa are governed by the Liquor Act (Liquor Act, No. 59 of 2003),⁴⁶ which has limited provisions, only prohibiting alcohol advertising targeting minors and false or misleading advertising. A proposed bill that aimed to ban advertising was first mentioned in the early 2010s, but it was ultimately scrapped years later following impact assessments and industry interference.^{47 48} The process that led to the failure to pass advertising legislation is documented by Bertscher *et al.*,⁴⁷ who analysed the policy formulation process of the 2013 draft Control of Marketing of Alcoholic Beverages Bill in South Africa between March 2011 to May 2017. The process is summarised below as an indication of how difficult it is to pass any legislation in South Africa.

In 2011, the Minister of Health announced that the government planned to restrict alcohol advertising.⁴⁹ The proposal was a total ban on alcohol advertising and marketing, including sponsorships and promotions.⁴⁷ No advertising would have been allowed on billboards, on television, in newspapers, or on radio. Advertising would have been allowed only within liquor stores and at points of sale.

In 2013, under the directive of the National Department of Health, the National Department of Social Development, and the National Department of Trade and Industry, a new draft bill was developed, which included provisions to ban advertising, sports sponsorships, and promotion of alcoholic beverages.⁴⁷ This bill was approved by Cabinet at the end of September 2013.

The government initiated three research endeavours: two Regulatory Impact Assessments (RIA) and one Socio-Economic Impact Assessment (SEIA):⁴⁷

1. In September 2013, the first RIA was completed by the National Department of Health, and, together with the draft bill, was tabled at a Cabinet meeting. At this Cabinet meeting, a second independent RIA was requested.
2. The second RIA was awarded to DNA Economics in August 2014 and was completed in January 2015. After the second independent RIA was completed, Cabinet developed a new policy appraisal unit, under the directive of the Department of Planning, Monitoring and Evaluation, called the SEIA System, to replace the RIA process.
3. The SEIA on the draft bill was conducted and completed (July 2015).

The results of the second RIA and the SEIA are not in the public domain and it is unclear how the results were used in decision-making processes.⁴⁷

Although the bill was approved for publication in the Government Gazette for public comment, it was never gazetted nor released for public comment (around September 2013).⁴⁷

In 2011, the alcohol industry hired an individual from the advertising industry as a policy anti-champion (i.e., a person whose job is to block policy) to coordinate a lobbying/advocacy campaign in opposition to the draft bill.⁴⁷ In 2013, an industry-funded consultancy report concluded that the total advertising expenditure loss for advertising companies would be R4.386 billion, South Africa's GDP would lose R7.4 billion in 2011 prices (or 0.28% of GDP), and almost 12 000 jobs would be lost.⁴⁷ Opponents of the ban focused mainly on economic arguments, whereas the pro-ban cluster focused mainly on health arguments.^{47 50}

The bill was also opposed in 2013 by the sports ministry who argued that they could lose R650 million in sports sponsorship, arguing that if the bill was passed they would need additional funding to offset the loss of revenue.⁵¹

In 2015, the chairperson of the South African Broadcasting Commission (SABC) Board noted that a ban on liquor advertising would not affect the organization.⁴⁷ In 2016, the Minister of Communications instructed the SABC to assess the financial impact the ban would have on the organization.⁴⁷ In 2017, the SABC then changed its stance and voiced opposition to the ban, claiming they would lose R857 million per annum due to the cessation of liquor advertising.⁴⁷

In a 2013, a segment of the alcohol industry's presentation was presented by a director of SABMiller who also served as a commissioner on the South African 2010 National Planning Commission (an advisory body tasked with developing 'a long-term vision and strategic plan for South Africa').⁴⁷ Bertscher *et al.*⁴⁷ noted that this reflects a potentially problematic dynamic in policy processes in which actors have access to multiple policy spaces where their relationship between private interests and public goals may conflict.⁴⁷ Having access to policy elites is a potentially significant power resource for those with commercial interests.⁴⁷

In addition to industry opposition, Bertscher, *et al.*⁴⁷ noted that there was substantial intra-governmental jostling where government departments sought to protect their own interests and constituents. Competition between government departments shows the inherently political nature of policy-making and the difficulty in maintaining consistent policy goals across government.⁴⁷

The 2016 Draft Liquor Amendment Bill⁵² (still not implemented) proposes advertising restrictions to amend section 9 of Liquor Act 59 of 2003.⁴⁶ The changes, if implemented,

would prohibit (1) advertising targeted at persons under the age of 21, (2) advertisement of liquor on billboards placed less than 100 meters away from junctions, street corners, or traffic circles, (3) distribution of pamphlets containing liquor advertisement, and (4) radio and television advertisement airing beyond the time slots prescribed by the Minister.

Raise prices on alcohol through excise taxes and pricing policies

Excise taxes are the focus of this report and are therefore not discussed here. Minimum Unit Pricing (MUP), a legally-mandated ‘floor price’ below which retailers are not permitted to sell alcohol,⁵³ is being considered for the Western Cape on the grounds that the MUP is a sharp tool for reducing heavy regular drinking and occasional heavy drinking. The Western Cape premier has indicated that he is supporting this proposal⁵⁴ and discussions have taken place between the Western Cape government, the alcohol industry, and civil society organisations. For more on MUP, see Section 13.

Current alcohol legislation

A comprehensive review of the policy and legislative framework for alcohol-harms reduction was completed in 2023.^{55 56} The domestic production and sale of alcoholic beverages is regulated by various sections of legislation (Table 7).

Table 7 | Alcohol legislation in South Africa relating to the production and sale of liquor

Act	Provisions	Administration	Amendments
Liquor Products Act, No.60 of 1989 ^{57 58}	- Regulates the type of alcoholic beverages that may be produced and imported; - Provides for control over the sale and production for sale of certain alcoholic products, the composition and properties of such products and the use of certain particulars in connection with the sale of such products; - Provides for the establishment of schemes; - Provides for control over the import and export of certain alcoholic products.	Department of Agriculture, Forestry and Fisheries	Dozens. The amendments are tracked in one document. ⁵⁹ The author of the document is unclear, but it can be found on the SAWIS website.
National Liquor Act, No.59 of 2003 ⁴⁶	- Prohibits supply of liquor or methylated spirits to minors (defined as <18 years old); - Regulates who may manufacture and distribute liquor; - Establishes national norms and standards to maintain economic unity within the liquor industry; - Provides national standards and minimum standards required for the rendering of services; - Provides measures to promote co-operative government in the area of liquor regulation.	Department of Trade, Industry and Competition	No amendments as at 12 April 2024
Provincial Liquor Acts	Regulate the retail sale of liquor		There are plans to amend the Western Cape Liquor Act 2008 (Draft amendment 2023). ⁶⁰ It has been gazetted but not passed.
Customs and Excise Act, No.91 of 1964 ⁶¹	- Classifies alcoholic beverages for excise duty purposes (following the harmonised system of trade classification as determined by the World Customs Organisation); - Provides for the levying of customs and excise duties, the prohibition and control of the importation or manufacture of certain goods.	South African Revenue Service (SARS)	114 amendments ⁶² – see Table C4 of Budget Review.

The draft Liquor Amendment Bill,⁵² approved by Cabinet for public comment in 2016, seeks to amend the National Liquor Act 2003. The Liquor Amendment Bill has been on hold since 2018. The Liquor Amendment Bill's provisions include: (1) advertising restrictions (see previous pages), (2) increasing the legal drinking age from 18 to 21 years, (3) regulating specific trading days and hours for alcohol to be manufactured and distributed, (4) placing liability on alcohol retailers and manufacturers for harm related to the contravention of regulations, and (5) prohibiting the manufacture, distribution, or retail sale of liquor in any location that is less than 500 metres away from a school, place of worship, recreational facility, rehabilitation or treatment centre, residential area, or public institution.⁵²

Alcohol policy in South Africa appears to be the product of competing interests, values, and ideologies.⁶³ A review of policy development processes between 1994 and 2009 by Parry (2010) concluded that South Africa approached alcohol policy development in a piecemeal fashion.⁶³ In 2010, Parry recommended a comprehensive national alcohol strategy cutting across different sectors (health, social welfare, crime prevention, trade and industry, and agriculture).⁶³

In 2016, the Department of Trade and Industry published a national liquor policy paper⁶⁴ in support of the 2016 Liquor Amendment Bill. The policy paper is comprehensive, and also covers excise taxes, noting that (1) increasing the price of alcoholic beverages is one of the most effective interventions available to reduce the harmful use of alcohol, (2) increasing excise taxes should be implemented together with adequate tax collection and enforcement, (3) National Treasury must maintain a reasonable and appropriate excise tax burden on alcoholic beverages, and (4) there might be scope to further increase the excise duties on alcoholic beverages.⁶⁴ They noted the challenge of balancing the effect of liquor abuse against promoting the economic imperatives of the industry.⁶⁴

7. ALCOHOL INDUSTRY

South Africa has a significant and powerful alcohol industry with deep roots in the country's business history.²⁵ The beer and spirits industry, in contrast to the wine industry, is highly concentrated following several mergers.

In 2002, South African Breweries (SAB) plc acquired Miller Brewing, forming SABMiller plc. In 2016 Anheuser-Busch InBev (AB InBev) acquired SABMiller.

In 2023, following two years of negotiations, Heineken received approval for its acquisition of Distell from the South African Competition Tribunal,³² and subsequently acquired the Distell Group for R38.5 billion. Distell is one of South Africa's most prominent alcoholic drinks manufacturers, operating in several categories, including wine, cider, and spirits. Distell is the owner of Savanna, the leading cider brand in South Africa, as well as Hunter's, the second-largest brand.³² In 2023, Heineken also purchased Namibia Breweries Limited.³²

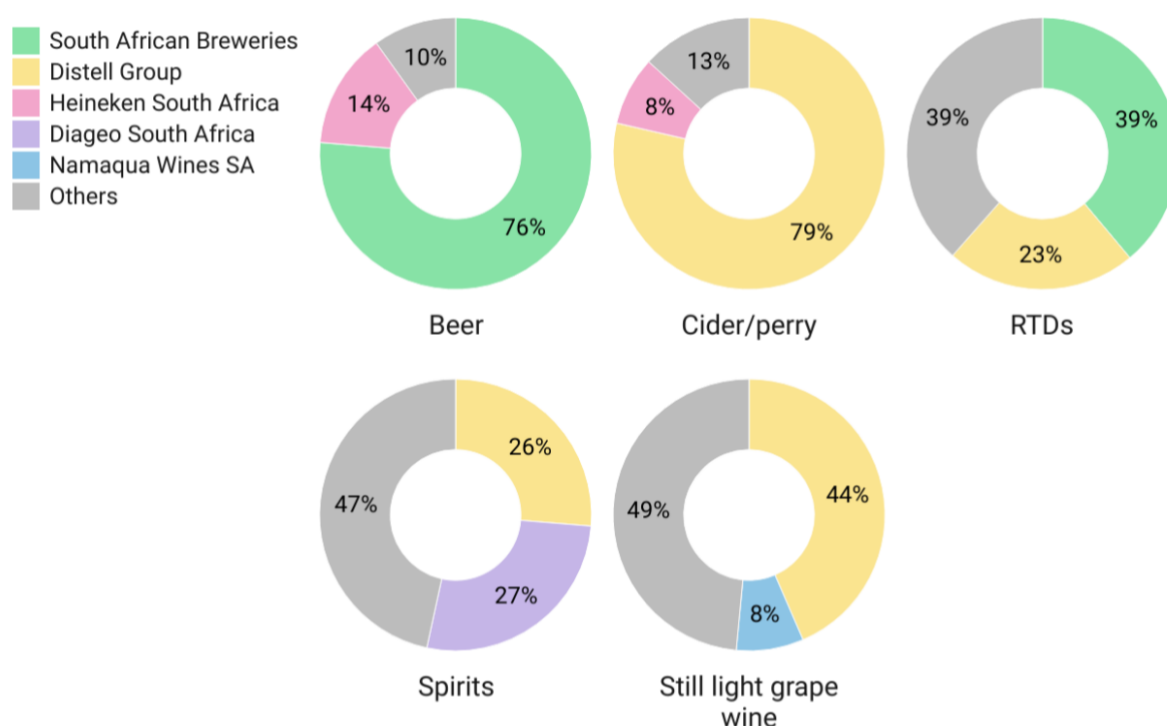
There are now two major industry players in South Africa as a result of AB InBev's acquisition of SABMiller in 2016 and Heineken's acquisition of the Distell Group and Namibia

Breweries Limited in 2023. These two multinationals are the parent companies, but the subsidiaries in South Africa still go under their South African names. Another prominent multinational is Diageo plc, a British multinational alcoholic beverage company, with headquarters in London. Diageo operates from 132 sites around the world and is a major distributor of Scotch whisky and other spirits.

Figure 11 shows national brand owner shares for beer, cider/perry, Ready-To-Drinks (RTDs), spirits, and still light grape wine in 2023, derived from Euromonitor data.⁶⁵ The beer market is dominated by SAB (76%) (top brands: Carling Black Label, Castle, Castle Lite). The cider/perry market is dominated by Distell (79%) (top brands: Savanna and Hunter's). Market shares for RTDs, spirits, and still light grape wine are much more fragmented. SAB holds 39% of the RTD market (top brand: Brutal Fruit), followed by Distell (23%) (top brands: Bernini and Esprit). Diageo SA holds 27% of the market, while with Distell holds slightly less at 25%. Diageo SA's top spirit brand is Smirnoff vodka, while Distell's top spirit brand is Old Buck gin.

Distell holds the largest market share in the wine sector at 44% (top brands: 4th Street, Paarl Perle, Drostdy-Hof), followed by Namaqua Wines SA at 8% (top brand: Namaqua). In 2022, there were 2487 primary grape producers, 523 wine cellars where grapes are crushed, and 116 bulk wine buyers in South Africa.⁶⁶

Figure 11 | National brand owner company shares by category, percentage of total volume, 2023



Notes: Still light grape wine is the total sum of still red, white, and rosé wine.

Source: Euromonitor International. June 2024. Alcoholic drinks in South Africa • Created with Datawrapper

South Africa's vineyards are mostly situated in the Western Cape near the coast. AB InBev's local subsidiary, SAB, operates seven breweries across the country.⁶⁷ Distell's six South African distilleries and operations are located in the Western Cape, while their

packaging and operations centres are located in the Western Cape, Eastern Cape, and Gauteng.⁶⁷ The alcohol industry is well-organized with many associations:

- Fairtrade South Africa
- Institute of Cape Wine Masters
- Integrated Production of Wine (IPW)
- Premium Independent Wineries of South Africa (Piwosa)
- South African Wine Industry Information and Systems (SAWIS)
- South African Liquor Brand Owners Association (SALBA)
- South African Society for Enology & Viticulture
- South African Wine Industry Transformation Unit
- South African Wine Laboratories Association
- Association for Alcohol Responsibility and Education (Aware.org)
- The South African Sommeliers Association (SASA)
- The Wine Industry Ethical Trade Association (WIETA)
- VinPro
- Wine Industry Network of Expertise & Technology (Winetech)
- Wines of South Africa (WOSA)

On excise taxation policy, the beer industry has been advocating for policy certainty. For example, on 6 September 2023, SAB held a media conference where they gave some of their insights and concerns regarding the beer industry in South Africa, including excise taxes.⁶⁸ Richard Rivett-Cormac (SAB CEO <https://vinpro.co.za>) said ‘with policy certainty, we can be allowed to make investment decisions and sustainability and predictably grow the business, and by extension, our economy’.

The low tax on wine has aggravated beer producers. For example, in SAB’s written submission to the 2023 Draft Rates Bill, they stated: ‘We would like to reiterate our long-standing position aimed at addressing the systemic issues in the Excise Policy, in particular that there be a removal of the market distortionary effect due to the preferential treatment afforded to the wine industry in the excise system. As a consequence, an ABV-based excise system should be applied within the full alcohol category’.⁶⁹

8. ALCOHOL MARKET

Trends in alcohol consumption

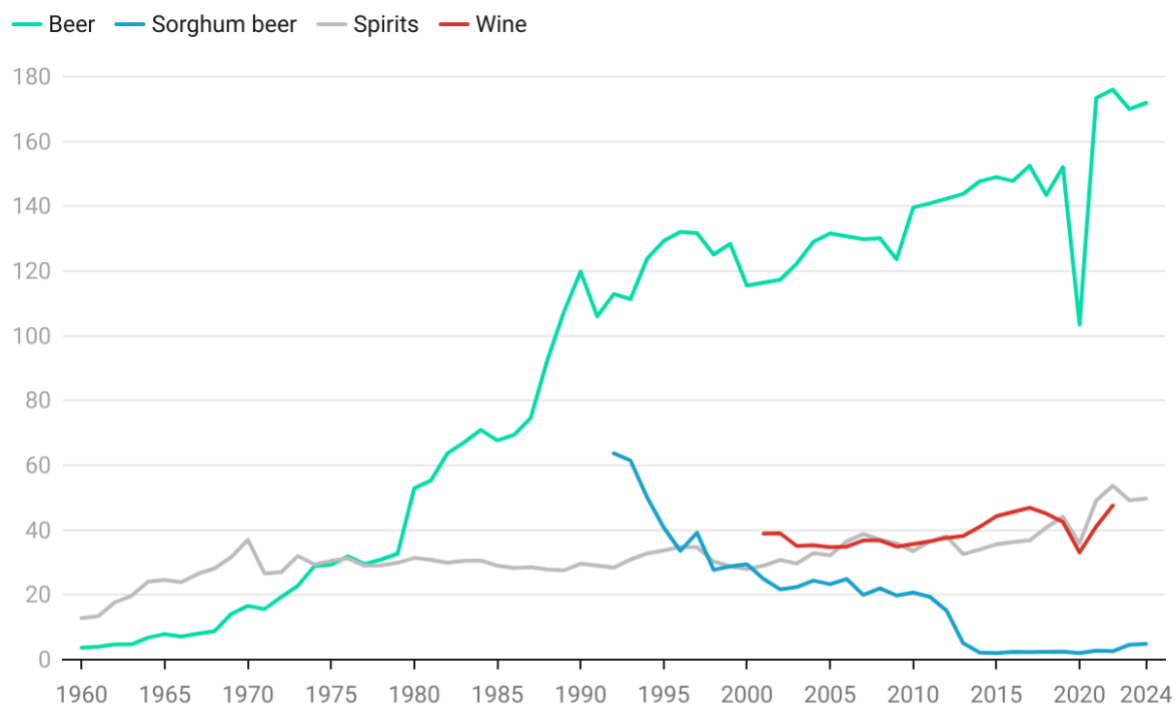
To estimate trends in alcohol consumption over the past 66 years, we use publicly-available excise revenue data. For the mid-1990s onwards, we obtained data on actual revenue for (1) beer, (2) sorghum beer and sorghum flour, and (3) spirits from National Treasury's annual Budget Reviews.⁷⁰ For earlier data, we obtained the actual revenue from the annual Auditor-General's reports. Since National Treasury's revenue data for wine include other fermented beverages (like ciders) under the heading 'wine and other fermented beverages', we were unable to use National Treasury's revenue data as the share of 'other fermented beverages' has increased over time, and because we wanted to look at wine in isolation. To estimate wine consumption, we use South African Wine Industry Information and Systems (SAWIS) data.⁶⁶ We were able to obtain data from 2002.

To calculate the consumed annual quantities for beer, sorghum beer, and spirits, we divide the total tax revenue by the appropriate specific tax rate per unit (Figure 12).ⁱⁱⁱ

To calculate annual per capita consumption, we divide consumed annual quantities by mid-year population estimates obtained from Statistics South Africa.⁷¹ Annual per capita (age 15+) beer consumption soared from 1960 to 1990, increasing from 0.35 litres of pure alcohol (or 7 litres of beer with 5% alcohol) in 1960 to 5.00 litres of pure alcohol (or 100 litres of beer with 5% alcohol) in 1990 (1266% increase) (Figure 13). From 2000 to 2024, annual per capita beer consumption remained relatively unchanged. The dip in 2020 is due the Covid-19-related alcohol sales bans, which lasted several months. From its peak at 2.88 litres of pure alcohol per capita (or 6.7 litres of a spirit with 43% pure alcohol) in 1970, per capita consumption of spirits steadily declined to 1.17 litres of pure alcohol (or 2.7 litres of a spirit with 43% pure alcohol) in 1992 (a decrease of 59%). There is a slight upward trend from 2013 to 2014. Overall, the trend in wine consumption has been uneventful. Annual per capita consumption of sorghum beer and sorghum flour plummeted by 96% from 1992 to 2024.

ⁱⁱⁱ For example: the total excise tax revenue received from beer in 2022/23 was R21 370.2 million. The excise tax was levied at R121.41 per litre of absolute alcohol. Thus, the total taxed quantity of absolute alcohol in beer in 2022/23 was 176.0 million litres ($=21370.2/121.41$). Assuming beer, on average, has a 5% alcohol content, this implies that 3520 million litres of beer were consumed in the SACU region ($=171.3/0.05$).

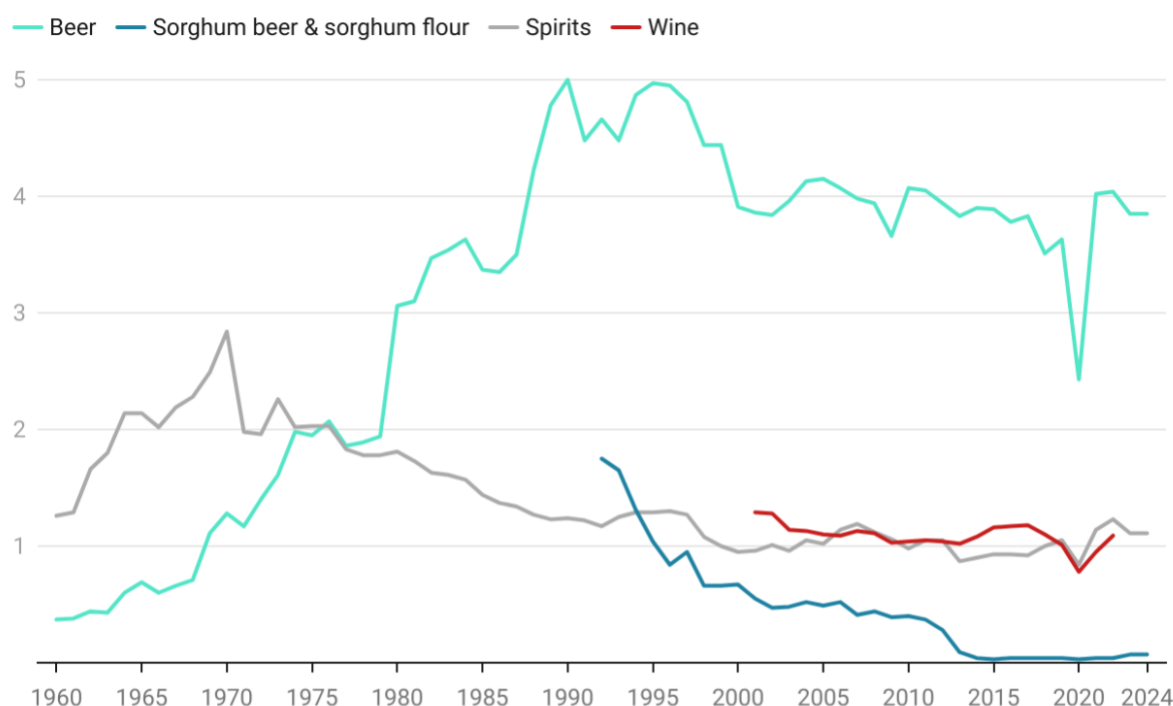
Figure 12 | Derived quantities of consumed pure alcohol, million litres of pure alcohol



For beer and spirits, the excise rate is based on litres of absolute alcohol (AA) so no assumptions on AA are necessary. For the products taxed by volume (wine, sorghum beer, and sorghum flour), the assumptions on AA are 10.5% for wine and 4.5% for sorghum beer and sorghum flour. 4.5% AA is the average for sorghum beer (3% AA) and sorghum flour (6% AA). In excise revenue data, the budget line is 'sorghum beer and sorghum flour', i.e., aggregated.

Source: Beer, spirits, and sorghum beer: authors' calculations based on Auditor-General Reports and Budget Reviews. Wine: authors' calculations based on data from South African Wine Industry Information and Systems (SAWIS). • Created with Datawrapper

Figure 13 | Annual per capita (age 15+) consumption (litres of pure alcohol)



For beer and spirits, the excise rate is based on litres of absolute alcohol (AA) so no assumptions on AA are necessary. For the products taxed by volume (wine, sorghum beer, and sorghum flour), the assumptions on AA are 10.5% for wine and 4.5% for sorghum beer and sorghum flour. 4.5% AA is the average for sorghum beer (3% AA) and sorghum flour (6% AA). In excise revenue data, the budget line is 'sorghum beer and sorghum flour', i.e., aggregated.

Source: Beer, spirits, and sorghum beer and sorghum flour: authors' calculations based on Auditor-General Reports and Budget Reviews. Wine: authors' calculations based on data from South African Wine Industry Information and Systems (SAWIS). Mid-year population estimates from Statistics South Africa. • Created with Datawrapper

Alcohol consumption: survey data

While trends in aggregate alcohol consumption can be derived quite easily from Budget Reviews, it is much more difficult to obtain data on drinking trends at the household level. For this, one requires surveys, and these are costly to conduct. The most recent nationally representative surveys that report on alcohol consumption are the fourth wave of the 2014–15 National Income Dynamics Study (NIDS), the 2016 Demographic and Health Survey (DHS), and the 2017 South African National HIV Prevalence, Incidence, Behaviour and Communication Survey.

Data from NIDS indicate that current alcohol use (any amount)^{iv} among adults aged 15+ was reported by 48% males and 20% females, while prevalence of self-reported binge drinking (defined as ≥ 5 standard drinks on a usual drinking day as a percentage of the total population) was 23% among males and 6% among females.²⁰ Data from DHS indicate that, among adults age 15+, current drinking (defined as having drunk alcohol within the 7

^{iv} Survey question: 'How often do you drink alcohol?' with options (i) 'I have never drunk alcohol', (ii) 'I no longer drink alcohol', (iii) 'I drink alcohol very rarely', (iv) 'Less than once a week', (v) 'On 1 or 2 days a week', (vi) 'On 3 or 4 days a week', (vii) 'On 5 or 6 days a week', and (viii) 'Every day'. A person was classified as a current drinker if he/she selected any option from (iii) through (viii).

days before the survey) was reported by 37% of males and 10% of females.²⁴ The DHS estimate of current drinking is lower than reported in NIDS as the DHS definition of current drinking was stricter (the definition of current drinking using NIDS data included people who rarely drink and who drink less than once a week). DHS data indicate that 28% of males and 5% of females engage in risky drinking (defined as $\geq$ drinking 5 standard measures of alcohol on a single occasion in the 30 days prior to the survey).²⁴ Data from SABSSM indicate that 16.5% of males and 4.6% of females consumed alcohol in a hazardous, harmful or dependent way (assessed using the alcohol Use Disorders Identification Test (AUDIT)).⁷²

A central question to determine the appropriate tax policy design is which alcoholic drinks are causing the most harm. Excise taxes should be aligned to the externalities caused by alcohol harm. It is not possible to answer this question using NIDS or the 2016 Demographic and Health Survey data, as the surveys did not ask the type of alcoholic beverages people drink. Although the Marketing All Products survey (MAPS) has information on types of alcoholic beverages consumed, it is not possible to determine if people drink small amounts regularly, or if they have a heavy episodic drinking episode on one night a week. For the question '*How many tots of cane^v have you personally consumed in the PAST 7 days?*', a response of 7 could be (1) one tot a night, or (2) seven tots in one night (i.e., heavy episodic drinking).

The cross-sectional International Alcohol Control (IAC) study conducted in 2014 in the Tshwane Metropolis is the only data we were able to find that looks at the types of alcohol beverages consumed by non-heavy and heavy drinkers. The Tshwane Metropole is located around Pretoria; it falls mainly within the province of Gauteng and overlaps into part of North West province. It consists of five regions and 76 wards.⁷³ Two research papers have been published using the IAC data.^{73 74} The first, published in 2018, focuses on heavy drinking and contextual risk factors among adults aged 18–65.⁷³ The second, published in 2020, focuses on predictors of heavy episodic drinking among young adults age 16–25.⁷⁴

Here, we discuss the findings of the first paper, as it offers information on the types of drink consumed during heavy episodic drinking sessions. Eligible participants had to have consumed alcohol in the past six months and be 18 to 65 years old.⁷³ Heavy drinking was defined as consuming 96g of absolute alcohol or more (roughly 8 standard drinks, or 120 ml of absolute alcohol) for men or 72g or more (roughly 6 standard drinks, or 90 ml of absolute alcohol) for women at any location at least monthly.⁷³ Although the data are specific to Tshwane, and may not generalize to other parts of South Africa, the information is nevertheless useful.

The final sample size included 713 adults (319 non-heavy drinkers; 394 heavy drinkers). Weighted data indicate that, among heavy drinkers (n=394), the most commonly reported primary beverages consumed at the primary drinking location

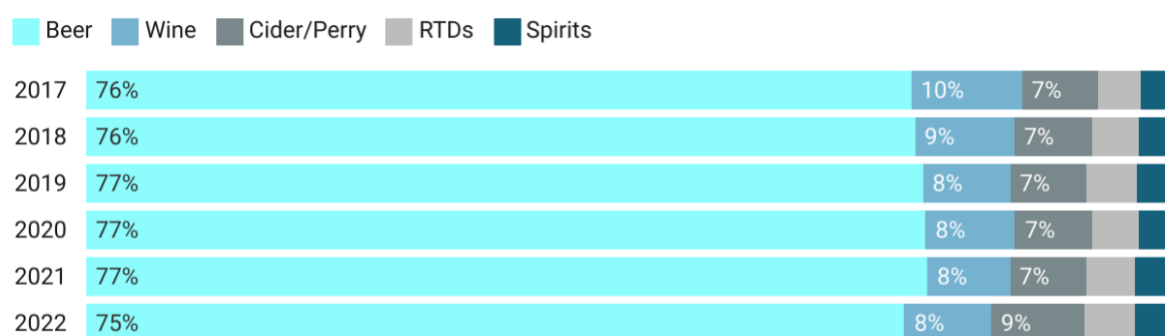
^v Same questions for beer, sorghum beer, ciders, liqueur, cane, gin, craft gin, vodka, brandy, cognac, whisky, rum, other spirits, spirit cooler, flavoured alcoholic beverages, natural table wine, fortified wine, sparkling wine/champagne.

were beer (57.5%), low-alcohol beer (1.1%), stout (0.9%) (total beer: 59.7%), cider (15.6%), wine (13.9%), spirits (10.2%), and home-brewed beer (0.8%). Together, heavy drinkers drank 93.9% of the absolute alcohol.⁷³

Alcohol market by drink type

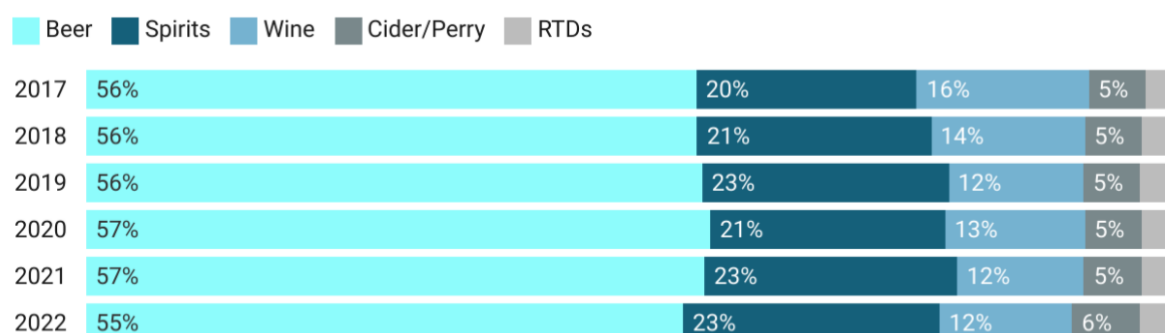
Over the period 2017 to 2022, the composition of the alcohol market has remained broadly unchanged when looking at the five categories defined by Euromonitor, specifically beer, wine, cider/perry, RTDs, and spirits. In 2022, beer accounted for 75% of alcohol sales *by volume of beverage*, followed by ciders/perry at 9%, wine 8%, RTDs 5%, and spirits 4% (Figure 14A). Using the same data, but converting it to alcohol sales *by volume of absolute alcohol* (Figure 14B), beer still accounted for the highest volume of sales. In 2022, beer accounted for 55% of alcohol sales *by volume of absolute alcohol*, followed by spirits at 23%, wine 12%, ciders/perry 6%, and RTDs 3% (Figure 14B).

Figure 14A | Alcohol sales by volume of beverage, per cent of total litres



Source: Euromonitor International. June 2023. Alcoholic drinks in South Africa. • Created with Datawrapper

Figure 14B | Alcohol sales by volume of absolute alcohol, per cent of total litres



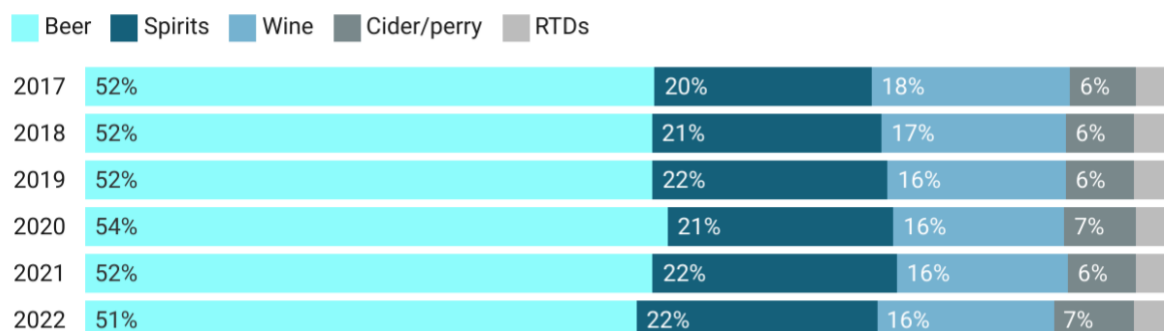
The assumptions on AA are: 43% for spirits, 10.5% for wine, and 5% for beer, cider/perry, and RTDs.

Source: Source: Euromonitor International. June 2023. Alcoholic drinks in South Africa. • Created with Datawrapper

By value, beer accounts for the largest percentage of the total market: 51% in 2022, followed by spirits 22%, wine 16%, cider/perry 7% and RTDs 4% (Figure 15). A comparison of Euromonitor and SAWIS data shows that the data are broadly similar for RTDs, wine, and

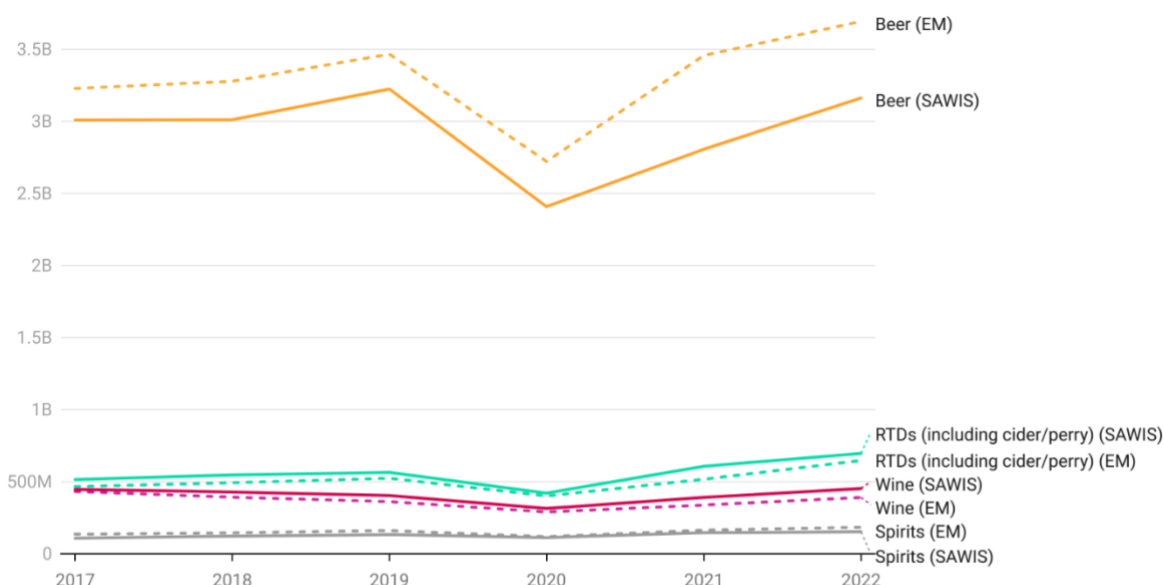
spirits, while the data for beer are dissimilar (Euromonitor reports higher volumes of beer compared to SAWIS) (Figure 16). We are unsure which data source is more accurate.

Figure 15 | Alcohol sales by value , per cent of total market



Source: Euromonitor International. June 2023. Alcoholic drinks in South Africa • Created with Datawrapper

Figure 16 | Alcohol sales by volume, comparing Euromonitor and SAWIS data, billion litres



Source: (1). South African Wine Industry Information and Systems (SAWIS). SA Wine Industry 2022 Statistics NR 47. 2023. (2). Euromonitor International. June 2023. Alcoholic drinks in South Africa. • Created with Datawrapper

Next, we provide detail on the various alcohol products. Taxation of these products is discussed in the section 9.

8.1. Sorghum beer, sorghum flour, and instant beer powder

Sorghum beer is also known as Traditional Africa beer. Using All Media and Products Survey data, Van Walbeek and Blecher²⁵ estimated that the prevalence of drinking sorghum beer in the past week among South Africans aged 15+ decreased from around 7.6% in 2001 to be around 5% in 2012. The highest prevalence for sorghum beer was amongst older drinkers (50+ years) and amongst those in the lower income groups. Sorghum beer is seen as an inferior good that is consumed less as incomes rise. Sorghum beer drinkers are more likely to be the older generation, who drink sorghum beer as part of their traditional ceremonies.

Sorghum flour is used to make sorghum beer. While traditional African beer flour has been around for decades, instant beer powder sold at retailers is a relatively new product in South Africa. Traditional African beer flour and instant beer powder are two distinct products used in different ways (Table 8).

Table 8 | Differences between sorghum flour and instant beer powder

Sorghum flour	Instant beer powder
○ type of flour made from sorghum grains; ○ contains fermentable sugars and starches that are essential for brewing beer; ○ primarily used in traditional brewing methods, where it serves as a key ingredient in the mash during the brewing process; ○ undergoes mashing, fermentation, and other brewing steps to produce beer; ○ raw and requires the full brewing process to produce beer.	○ processed product made from beer; ○ typically contains malt extract, hops extract, and sometimes additional flavourings or additives; ○ dehydrated into a powder form, which is rehydrated with water to produce a beer-like beverage; ○ designed for quick and convenient consumption, without the need for brewing equipment or fermentation; ○ provides a beer-like flavour without the time and effort required for traditional brewing.

Source: OpenAI ChatGPT. 3 April 2024. <https://chat.openai.com>

The instant beer market in South Africa is growing. Supa Ginja is an instant beer powder used to produce an alcoholic ginger beer in 24 hours. On 29 March 2024, a 500g packet of Supa Ginja (a ginger beer and pineapple juice powder brand) was selling at Shoprite for R22.99 with instructions: ‘Simply mix contents with 5L lukewarm water and enjoy a delicious ginger beer drink, ready to drink in 24hrs’. The excise tax on this 500g packet of beer powder is negligible at 17c (R0.347/2). The excise tax per 330ml standard drink is 1.1 cents, versus R2.47 ($135.89 \times 0.055 \times 0.33$) for a 330ml of Carling Black Label malt beer.

Supa Ginja, which began operating in 2008, is sold in seven countries: South Africa, Botswana, Lesotho, Eswatini, Namibia, Zambia, and Zimbabwe,⁷⁵ and wants to expand further into the SADC region by 2025.⁷⁶ In South Africa, Supa Ginja is sold at popular retailers like Shoprite and Cash & Carry. Sales are more prominent in rural areas. Supa Ginja signed a deal with Shoprite in 2022 to supply the whole continent and manufacture a private-label ginger beer powder for the retail chain.⁷⁶ When mixed with water and left for 24 hours, Supa Ginja has an alcohol content of 5–7% (i.e., fluctuating ABVs). Because the actual powder contains no alcohol, major supermarkets have opted to sell it straight off the shelf along with other food products instead of through their dedicated liquor outlets. The products gained popularity during the Covid-19 alcohol sales ban because, before water is added, there is no alcohol in the powder. Each time the South African government imposed alcohol prohibitions, sales of Supa Ginja increased.⁷⁶

Supa Ginja is being marketed aggressively as having health benefits. A 7 February 2024 Facebook post reads: ‘*Unlock the Power of Ginger!* Did you know that ginger isn't just a tasty spice, but also a powerhouse of health benefits? From soothing digestive troubles to boosting immunity and reducing inflammation, this humble root has been used for centuries

for its medicinal properties'.^{vi} If consumers have cheaper alternatives to malt beer, it is likely that alcohol consumption will increase.

Supa Ginja is not the only producer of instant beer powder. A quick Google search revealed a few producers, like Bozza and Ikhaya. Bozza began operating in 2019, with the vision of 'supplying a better quality product, at better value, to an already vulnerable demographic that mostly live off social grants in South Africa'.⁷⁷ Like their competitors, they also have ginger and pineapple flavours. They also claim that their products have health benefits 'Pineapple beer has plenty of benefits and is great for your gut: High in Vitamin A, B and minerals like magnesium, Fights intestinal parasite, Restores intestinal flora (good for gut health), It's a diuretic'.⁷⁷

Ikhaya Brewing Company started operating in 2017, and have three flavours: ginger, pineapple, and sorghum.⁷⁸ Their website says that their products are available at Cash & Carry's, Wholesalers, Spaza Shops, Community Shebeens, and Pubs.

8.2. Malt beer

Beer is by far the alcoholic drink of choice in South Africa. SAB dominates the beer market with the three most popular brands (Carling Black Label, Castle, and Castle Lite) accounting for 56.1% of the total beer volume sold in South Africa.³²

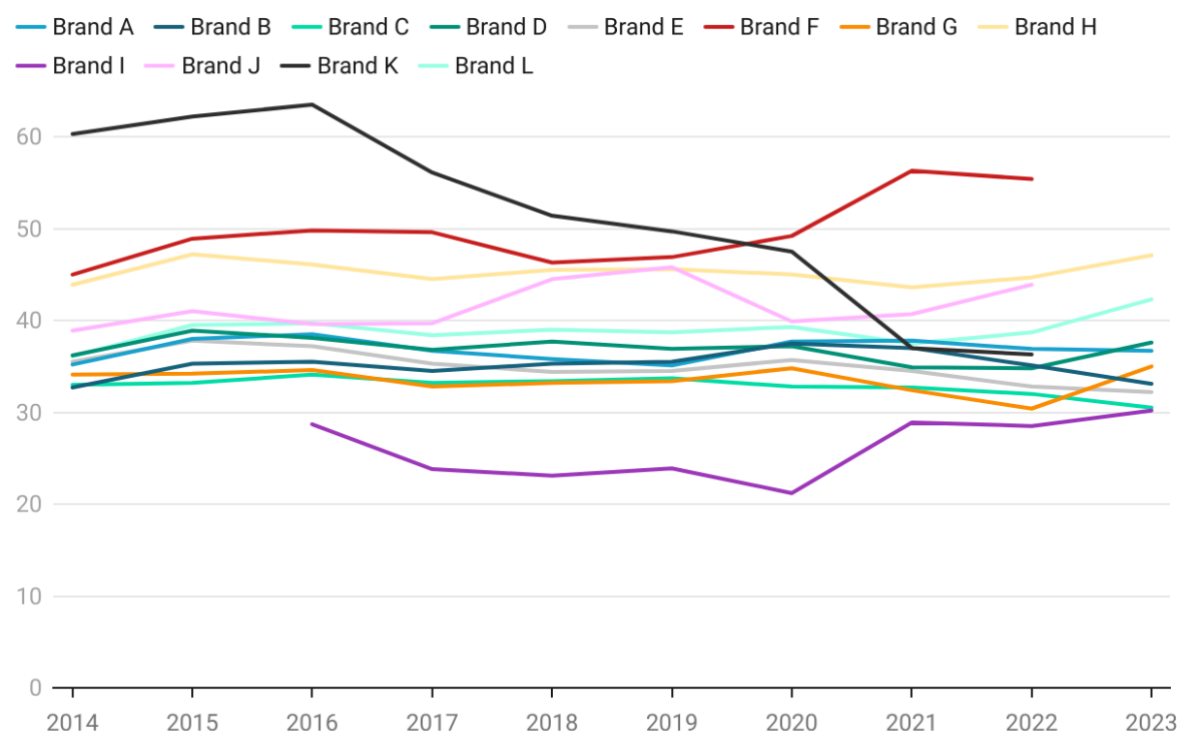
Historical monthly price data (January 2014 to July 2023) for beer were obtained from Statistics South Africa (emailed to Corné van Walbeek by a Statistics South Africa employee). A condition of data use is that the data must be anonymised. Nominal prices are converted to real prices (base: December 2021) using CPI data obtained online from Statistics South Africa.⁷⁹ Packaging sizes included: 330ml, 340ml, 440ml, 500ml, 660ml, 750ml, 6 x 340ml, 6 x 340ml, 6 x 440ml, 6 x 500ml, 24 x 330ml, and 24 x 450ml. Although the Statistics South Africa data do not capture 1L bottles of beer, they have existed since 2017 when SAB launched the 'Ama 1 litre' Black Label beer.⁷³ All data were converted to price per litre of beverage to facilitate comparisons. 177 of the 66 870 observations (0.27%) were deleted. These observations were for beer that cost more than R80 per litre (which is unrealistically high).

The real price for most brands remained roughly constant over the 10-year period (Figure 17). The average retail prices decreased from R35.72 to R34.49 (3.4% decrease) from 2014 to 2023, but the price changes were different for individual brands.

vi

<https://www.facebook.com/supaginjaofficial/posts/pfbid0uxKTMycNMJ1GJMZhxbDcWy51AfiiGJPGPL8csTMRfWaTFXHivQewzeqTawVT2PcFl>

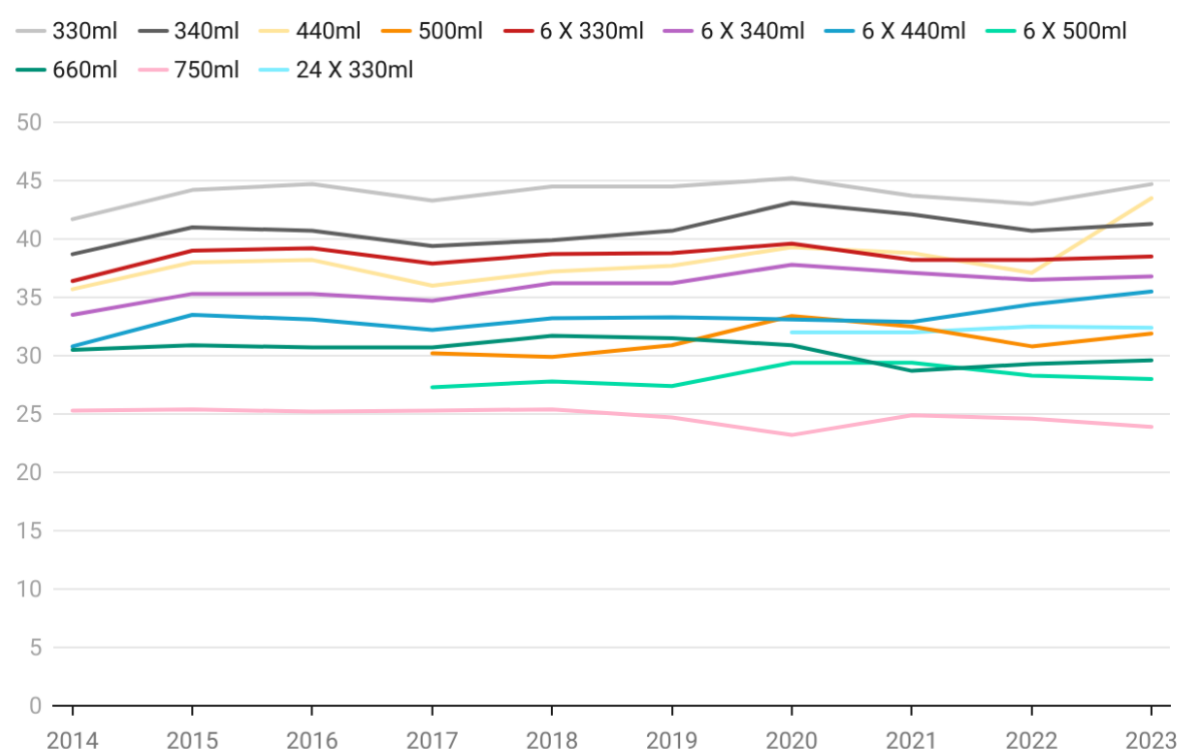
Figure 17 | Mean real price of beer per litre of beverage by brand (Rands, base: 2021)



Source: Statistics South Africa • Created with Datawrapper

Buying 330ml individual bottles is the most expensive way to purchase beer, while the cheapest way to purchase beer is in 750ml bottles (Figure 18). It is likely that purchasing 1L bottles (no price data) is even cheaper.

Figure 18 | Mean real price of beer per litre by packaging type (Rands, base: 2021)



Source: Statistics South Africa • Created with Datawrapper

To see the exact numbers (and the number of observations on which these averages are based) in the two figures above, see Appendix 1.

8.3. Wine

In 2022, a total of 414 million litres of still wine (local and imported) was sold (Table 9). 75.4% of this wine sold for R50 or less per litre, indicating that low-cost wine dominates the South African wine market. Only 8.8% of still wine was sold for R100 or more per litre.⁶⁶ Wine is available in several packaging sizes, including the standard 750ml bottle (at all price points), and bag-in-box (low prices). Distell holds the majority market share of still light grape wine with the three most popular brands: 4th Street (18.8%), Paarl Perle (8.3%), and Drostdy-Hof (6.6%).

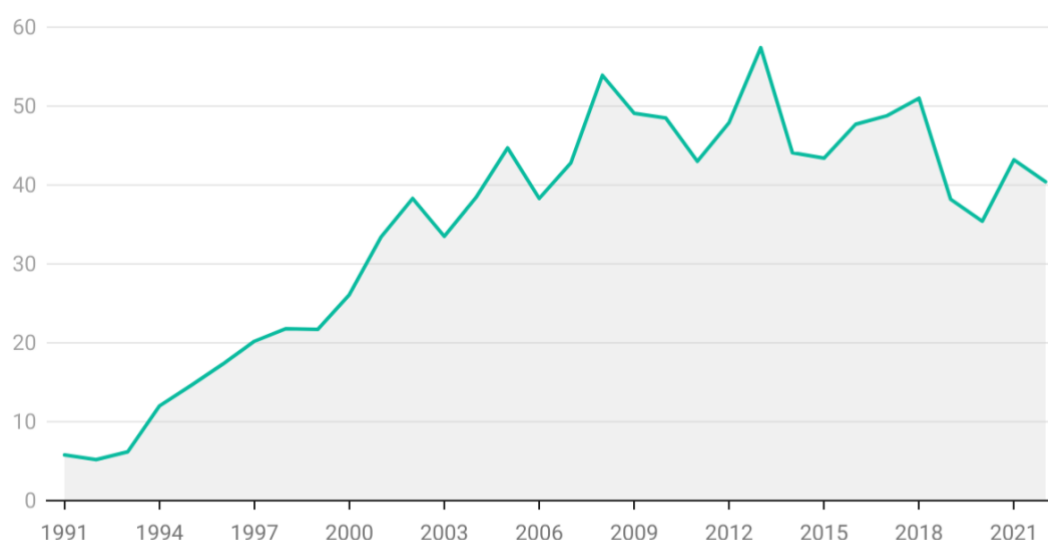
Table 9 | Price per litre of still wine (includes local and imported wine), 2022

Price per litre	Litres (million)	Market share	<R50
< R30	123,7	29.8%	75.4%
R30 – <R40	134,4	32.4%	
R40 – <R50	54,5	13.2%	
R50 – <R60	31,3	7.5%	
R60 – <R70	11,8	2.9%	
R70 – <R80	9,1	2.2%	
R80 – <R90	8,4	2.0%	
R90 – <R100	4,9	1.2%	
R100 – <R120	10,5	2.5%	
R120 – <R150	11,5	2.8%	
R150 – <R200	6,8	1.6%	
>R200	7,5	1.8%	
Total	414,4	100.0%	

Source: South African Wine Industry Information and Systems. SA Wine Industry 2022 Statistics NR 47.
https://www.sawis.co.za/info/download/Book_2022.1.pdf. 2023

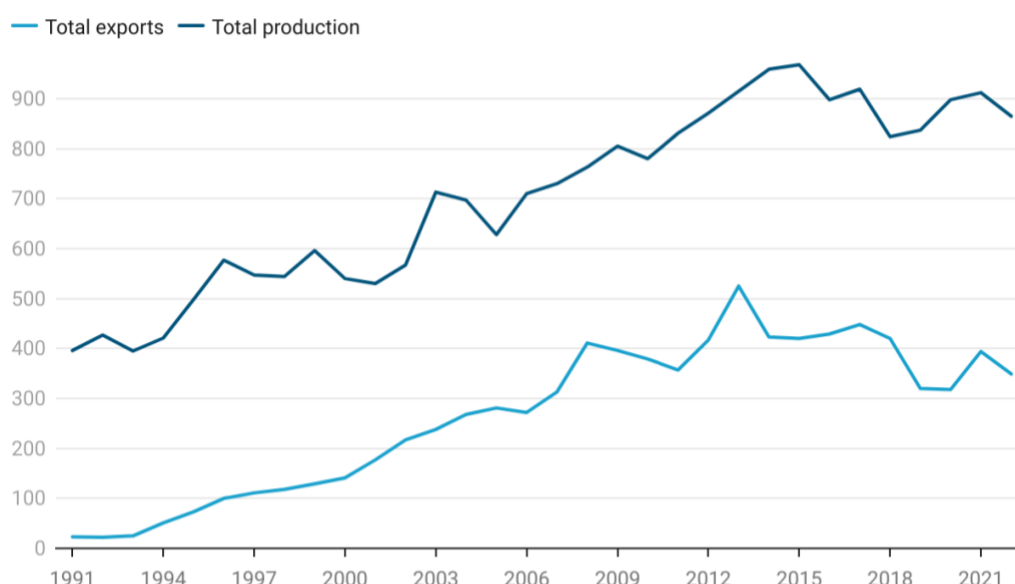
South Africa is a net exporter of alcoholic beverages, largely due to wine exports,¹² and the country has developed a successful export industry (Figures 19 and 20). Exported wine does not attract excise taxes in South Africa. In the early 1990s, only around 6% of wine produced in South Africa was exported. In 2022, 40% of wine produced in South Africa was exported. In 2022, the top five countries that imported South African wines were the UK, Germany, Canada, the US, and France.⁶⁶ The international market has grown. The drop in 2020 was a result of Covid-19 restrictions on the transportation of alcohol products in South Africa, including products destined for export.

Figure 19 | Exports as a percentage of wine production



Source: Data collated from various Excel files from the South African Wine Industry Information and Systems. Data for 2011 to 2022 is available at https://www.sawis.co.za/info/download/Book_2022.1.pdf. • Created with Datawrapper

Figure 20 | Total production and exports of wine (million litres)



Source: Data collated from various Excel files from the South African Wine Industry Information and Systems. Data for 2011 to 2022 is available at https://www.sawis.co.za/info/download/Book_2022.1.pdf. • Created with Datawrapper

8.4. Ciders and Flavoured Alcoholic Beverages (FABs)

Cider is an alcoholic beverage made from apple juice, which is fermented using yeast. The three most popular ciders, which collectively account for 65.9% of total cider volume, are Savanna (42.7%), Hunter's Dry (14.0%), and Strongbow (9.1%). Savanna and Hunter's Dry are produced by Distell, and Strongbow is produced by Heineken.

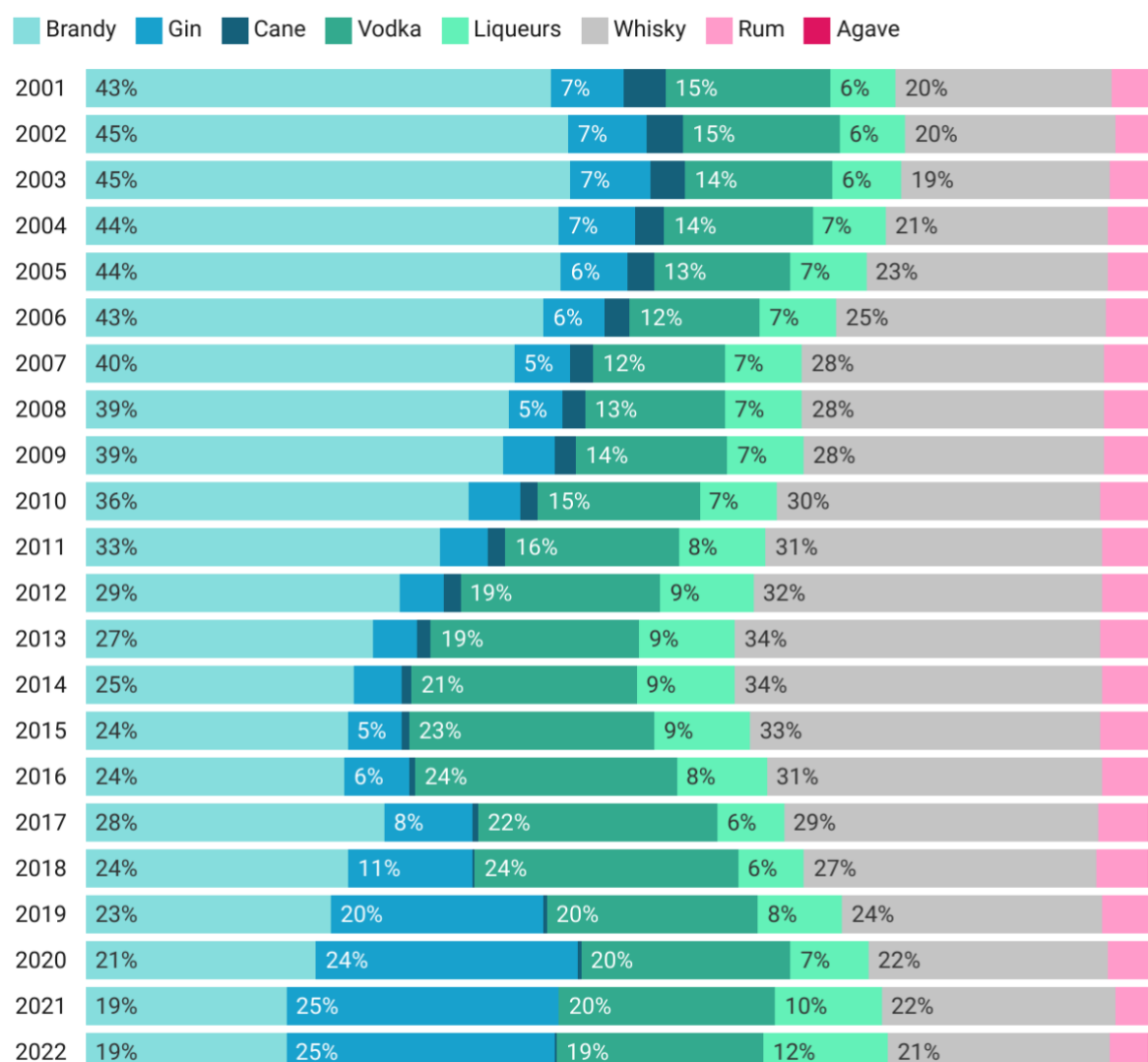
SAB faced opposition in 2020 when the classification of Brutal Fruit was contested by Distell, who challenged SAB in the Western Cape High Court about the wording on its Brutal Fruit labels. Distell argued that Brutal Fruit is an 'apple flavoured beer', not an 'alcoholic fruit blend' as SAB claimed.⁸⁰ Distell contended that SAB could not use 'alcohol fruit blend' on

the labels as it too closely resembled ‘alcoholic fruit beverage’, which, according to the law, must be produced by the alcoholic fermentation of fruit juice.⁸⁰ An ‘alcoholic apple beverage’ – which can also be called a cider – can only be produced by the alcoholic fermentation of apple juice (or with the addition of up to 25% pear juice or alcoholic pear beverage).⁸⁰ Distell said that the Brutal Fruit Sparkling Ruby Apple Spritzer is not the result of the alcoholic fermentation of fruit juice, but rather beer which has been flavoured with 6% apple juice.⁸⁰ Although SAB agreed to change their labels, Distell was not happy with SAB’s timeline, and turned to the Advertising Regulatory Board (ARB) to force SAB to adopt the new labels earlier. SAB said that the absence of malt means Brutal Fruit is not a beer, quoting the South African legislation which states that an alcoholic drink must contain 50% malt to be classified as a beer.⁸¹ Instead, SAB says, Brutal Fruit contains sparkling water, fruit flavourings, and maize.⁸¹ On 10 December 2020, the Western Cape High Court ruled that Brutal Fruit must be correctly labelled as ‘ales’ (in line with the Liquor Products Act, 60 of 1989). Regarding tariff headings, the Supreme Court in 2018 ruled that Brutal Fruit be classified under 22.06.00.90, which is the spirits rate.⁸²

8.5. Spirits

The spirits market has changed in the past two decades (Figure 21). In 2001, brandy was the most popular form of spirits, holding 43% of market share by volume, followed by whiskey 20%, and vodka 15%. In 2014, whiskey was the most popular category of spirits, holding 34% of the market share, followed by brandy at 25%, and vodka at 21%. In 2017, the market share of gin started increasing, reaching 25% in 2022, the highest of all spirits, followed by whiskey at 21% and brandy at 19%.

Figure 21 | Spirit sales, per cent of total litres



Source: South African Wine Industry Information and Systems (SAWIS). SA Wine Industry 2022 Statistics NR 47. 2023 • Created with Datawrapper

An interesting recent development is the sale of spirits in sachets. In May 2024, gin with 43% alcohol was sold at Makro in quantities of 60 (each containing 50ml) for R420 by Makro (R7 per sachet).^{vii}

8.6. Cheap alcohol: Cheap ‘wine’ and Sugar-Fermented Beverages (SFBs)

Cheap wine and SFBs are distinguishable based on their ingredients:

- Cheap wine is made from the juice of grapes (fructose & glucose);²⁶
- SFBs are made from cane sugar (sucrose), yeast, and water.²⁶ SFBs sometimes contain cheap wine.²⁶

Regardless of the sugar substrate (whether from the juice of grapes or cane sugar), the ethanol molecule is the same and equally harmful.²⁶ The only way to tell which substrate is used after production is to test the alcohol in a laboratory.²⁶ Cheap alcohol presented as

^{vii} <https://x.com/profparry/status/1788122237955871009?t=HAPPSLKAJAq9YspgBFABJA&s=19>

wine may be wine, a SFB, or a mixture of the two. Cheap alcohol is typically packaged in a clear plastic bottle, closed with a red screw top lid and colloquially called a ‘rooiroppie’ (‘red cap’).²⁶ The Liquor Products Act stipulates that the word ‘wine’ cannot be used in any manner that conveys a false or misleading impression of the liquor product concerned.⁵⁹

In 2007, the Liquor Products Act 60 of 1989 was amended to ban ‘papsak’ (foil bag packaging).²⁶ Following the papsak ban, there were reports of cheap alcohol sold in plastic containers that looked like cheap wine but were made from cane sugar (termed a ‘sugar fermented beverage’ (SFB)).²⁶

Prior to 2021, the production and sale of cheap alcohol was entirely unregulated (aside from the papsak ban) as they fell outside the Liquor Products Act.²⁶ They were brought in as ‘Other fermented beverages’ in the 2021 Amendment of the Liquor Products Act of 1989.⁸³

- (j) by the insertion after the definition of “‘officer” of the following definition: “‘**other fermented beverage**’ means a product which meets the requirements referred to in section 6C;”

Requirements regarding other fermented beverages

6C. (1) Other fermented beverage shall—

- i be produced by alcoholic fermentation in the prescribed manner of a prescribed substance; and
 - ii be produced in such a manner that it is of a prescribed class and complies with the prescribed requirements for the class concerned.
- (a) Other fermented beverage shall not contain a particular prescribed substance to a greater extent than that prescribed.
- (b) No person shall, either before, during or after the alcoholic fermentation referred to in subsection (1)(a)—
- (a) add to or remove from the prescribed substance referred to in that paragraph or the other fermented beverage produced therefrom, any substance other than a substance prescribed for this purpose; and
- (b) add or remove a substance prescribed under paragraph (a), otherwise than in accordance with the prescribed manner or conditions.”.

Existing research on cheap alcohol is scarce. In 2004, authorities in the Western Cape commissioned a study to investigate the impact of bulk wines on Western Cape communities.²⁶ The study included a survey of wine conducted in 2005 that identified concerning levels of contaminants (mercury, ochratoxin A, and phthalates).²⁶ A follow-up to the 2005 contaminants study was done in 2019.²⁶ All the outlets visited in 2005 were registered independent outlets, whereas in 2019 at least 75% of the towns had registered outlets that were linked to grocery stores, either in the stores or linked to the brand, or part of liquor store franchises.²⁶

In 2019, a fieldworker bought 55 products presented as white wine from bottle stores and shebeens in 17 rural towns in the Western Cape (same towns as is the 2005 study).²⁶ The fieldworker asked for the smallest pack of the cheapest wine.²⁶ Three products were bought in each town.²⁶ The samples were purposely selected to ensure that there was no duplication of the product according to the name appearing on the label.²⁶ Laboratory testing identified the base as either grape or sugar. Results indicate that two of the samples were SFBs (around 15% ABV), and about nine samples were cheap wine and SFBs. The researchers were not

specifically looking for SFBs, but they happened to find some. The alcohol content of the SFBs was not as high as expected.²⁶

In 2005, a third of the samples purchased were papsak and almost two-thirds were plastic with a few cartons represented. In 2019, half the samples purchased were in plastic containers, a third in glass ones, and the remainder in cartons or bag-in-box. In 2019, 75% of all of the plastic containers had red lids, confirming the prominence of the ‘rooiroopie’ across a range of brands.²⁶

The 16 samples of 500ml bottles had a median price of R13.60 per bottle (Table 10). When considering the price per standard drink unit (1 unit=12g or 15ml of pure ethanol), the median price for samples in 500ml plastic containers was R3.67 per unit. For samples in 750ml glass bottles the price was less than double that at R6.12 per unit. The two bag-in-box samples sold for less than R3 per unit.²⁶

Table 10 | Price by volume, packaging and per unit alcohol (2019 data)

	Thin clear plastic			Carton	Bag-in-box	Thick plastic	Glass	
Volume	500ml	1000ml	2000ml	1000ml	5000ml	750ml	500ml	750ml
n	16	10	1	7	2	1	2	16
Price range	10–20	10–28	30	23.99–32.99	100–110	38.9	20–40	22–40
Median price	13.6	20.25		30				34.99
Rand/unit (range)	3–5	1.30–3.65		2.88–5	2.64–2.73		5–10.91	3.26–10.67
Rand/unit (median)	3.67	2.76	2.25	4.12		5.77		6.12

Source: McLoughlin J, Adnams C, Matzopoulos R, et al. Cheap alcohol in rural towns of the Western Cape Province, South Africa: Contaminants, risks for Fetal Alcohol Spectrum Disorders (FASD) and policy implications. https://gapc2023.samrc.ac.za/Presentations/jo-ann_mcloughlin.pdf. PowerPoint slides from presentation given at 2023 Global Alcohol Policy Conference 2023.

The 2019 study found evidence of a reduced prevalence of contaminants compared to the 2005 study.²⁶ For mercury, a third of the samples in 2005 had levels above those allowable in wine, whereas none of the samples tested in 2019 had mercury in this range.²⁶ The easy availability of cheap alcohol presented as wine persists in rural communities in the Western Cape.²⁶ A quarter of cheap alcohol products, presented as wine and sold in plastic packaging, were SFBs or SFB-adulterated wine.²⁶ Cheap alcohol that meets the criteria for wine is widely available in rural towns across a range of packaging types.²⁶

A quarter of the sample (7/27) contained only SFBs or SFB-adulterated wine.²⁶ All SFB or SFB-adulterated wines were in clear plastic containers. A common label is ‘flavoured alcoholic beverage’. None of these were labelled as ales and one was labelled as wine. The typical label had a brand name, a description (such as dry), the alcohol content, the code of the responsible seller, and warnings. These products are presented as wine, which is in contravention of the Liquor Products Act.²⁶

In 2022, Nell, et al.⁸⁴ published their findings from a waste characterisation study in a remote rural town in South Africa. The data were combined with a mapping of the contents of illegal dumping and a household survey. This enabled researchers to gain a more thorough understanding of household waste-management practices and challenges. A recyclable plastic waste item rarely found during the waste characterisation study but often found during the illegal dumping exercise is locally referred to as ‘rooipropie’, or ‘red cap’. This is a very cheap wine sold by local taverns and liquor stores in 500 ml, 1 L, 2 L or 5 L PET bottles with red caps. It was found that, although this item was sometimes found during the waste characterisation study, it was also littered in locations close to or opposite taverns where the wine is consumed by customers and the bottles merely discarded there. The littering of these bottles is so common that, in the absence of any waste receptacles, illegal dumpsites form consisting solely of these bottles.

9. EXCISE TAXES IN SOUTH AFRICA

9.1. Brief overview

The South African Revenue Service (SARS) is responsible for collecting excise taxes. South Africa uses a duty-at-source (DAS) system to assess excise duty and account for excisable products at the source – that is, as close as possible to the point of manufacture when goods achieve their excisable character (for locally-produced goods) or at the point of importation.⁸⁵ The accounting of excise liability and the associated payment under the DAS system requires the registration and licensing of people responsible for the production, use, or storage of excisable goods.⁸⁵

National Treasury (previously the Department of Finance) is responsible for determining the excise tax rates. Excise taxes on beer and spirits have been levied for more than 100 years in South Africa.²⁵ Wine has been taxed intermittently since the early 1940s and sorghum beer has been taxed since 1992.²⁵ The Department of Finance decided to tax spirits on the basis of absolute alcohol in 1974. In 1998, National Treasury extended this to beer.

Post-1994, National Treasury faced the problem of needing to give both the government and the alcohol industry some certainty regarding alcohol excise tax policy.⁶³ National Treasury needed a system that would: (1) allow for periodic inflation adjustments and (2) reduce the annual pressure from public health lobby groups to increase taxes (and from the liquor industry to do the opposite).⁶³ National Treasury reviewed policy options from different countries and met various stakeholders to seek guidance in formulating a policy solution.⁶³ They settled on a policy whereby excise taxes would be based on a percentage of the retail sales price of the products, with higher percentages for products with a higher absolute alcohol content.⁶³

South Africa applies a specific excise tax regime for alcohol. For beer and spirits, the excise tax is levied per unit of absolute alcohol. Thus, a given quantity of beer/spirits with a higher alcohol content is subject to a higher excise tax than beer/spirits with a lower alcohol content. Specific taxes based on alcohol content target the harm-inducing chemical

– ethanol – directly, thereby curbing total ethanol consumption as well as consumption of high-strength alcoholic beverages.⁹ Alcohol-content-based specific taxes ensure that alcoholic beverages with more ethanol are taxed at a higher rate.⁹

South Africa also applies a specific excise that is levied per unit of absolute alcohol for ciders and RTDs. Ciders are taxed at the beer rate. RTDs are typically mixtures of an underlying alcohol base with other ingredients such as mixers, fruit juices or flavourings.⁹ RTDs with a fermented alcohol base are taxed at the rate for malt beer, while those with a distilled alcohol base are taxed at the higher spirits rate.⁹ RTDs from fermented fruit or grain therefore bear a lower alcohol tax burden than those from distilled spirits, despite the competing beverages being potential substitutes with a similar alcohol content.

The economic rationale for levying an excise tax on the volume of absolute alcohol is more obvious than for levying an excise tax on the volume of the beverage, irrespective of the alcohol content.²⁵ The negative externalities associated with the harmful use of alcohol are more correlated with the volume of absolute alcohol than with the volume of the beverage. Beer with a 6% alcohol content, for example, has greater potential to impose harm on the drinker and impose a negative externality than beer with a 1% or 2% alcohol content. They should not be taxed at the same rate. The Department of Finance's decision in 1974 to tax spirits on the basis of absolute alcohol, and the Treasury's decision in 1998 to extend this to beer, is justified on economic grounds.²⁵

In contrast, the excise tax on Traditional African beer, Traditional African beer powder, and wine is levied as an amount per unit of the beverage (volumetric specific tax). South Africa applies a volumetric specific tax on wine that imposes a lighter administrative load on both producers and SARS. From an administrative perspective, taxing the volume of a beverage is easier than taxing the alcoholic content.⁹

A 2014 report documented a conversation with an official from National Treasury's Tax Policy Unit.²⁵ According to the official, the primary reason for imposing the tax on the volume of the actual beverage, rather than the volume of absolute alcohol, is practical.²⁵ The rationale is as follows: Wine is produced by very many small (and some large) firms, and it would be impractical to audit all firms for the alcohol content of the various wines that are produced.²⁵ The practicalities of the wine industry (specifically the dispersed nature of the industry and the large and often heterogeneous variety of wines that are produced by individual producers) are such that an audit is not regarded as feasible.²⁵

The wine industry has received special treatment for many decades. The rationale was to create employment, support tourism, and enable a successful export industry. This thinking is flawed because tourists can generally afford higher prices, and wine exported is not subject to local excise taxes. Anecdotally, much alcohol abuse, especially in the Western half of the country, derives from wine consumption.

9.2. Tax burdens

Alcohol excise rates differ between alcoholic beverages in accordance with benchmarks determined in 2002 and adjusted in 2012.¹² The international benchmarks used by National Treasury in 2002 were based on 1997 data published by the Brewers Association of Canada (BAC).¹²

For wine and traditional beer, the alcohol tax is on the beverage content (i.e., the same tax amount per litre, irrespective of alcohol content). The specific excise duty rates are expressed in cents per litre (volume). National Treasury, in the 2014 review document, stated that the excise tax on wine was chosen to be like this to allow the wine industry to develop, and because of ease of administration.¹² For beer and spirits, the alcohol tax is on the alcohol content, not the volume of beverage. The specific excise duty rates for beer and spirits are expressed in cents per litre of absolute alcohol content.

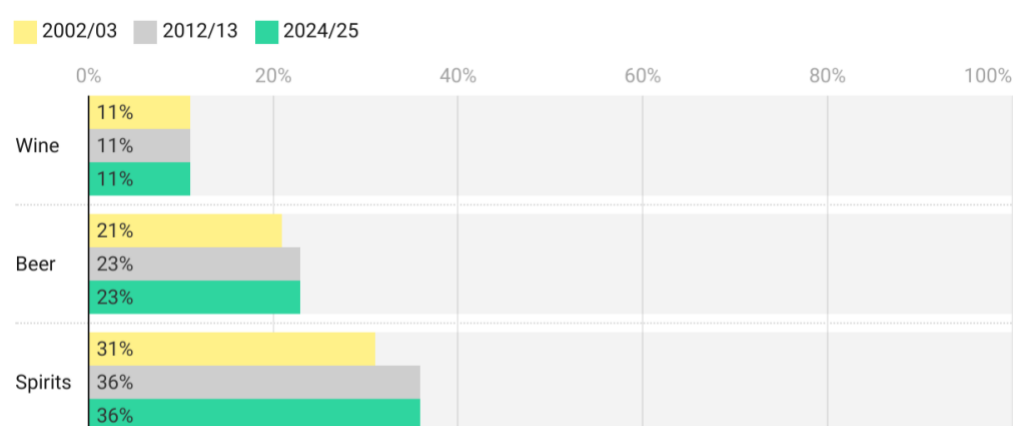
In 2002, the **total tax burden** (excise duties plus VAT) as a percentage of the weighted average retail selling price for wine, clear beer, and spirits was set at 23%, 33%, and 43% respectively.¹² Budget 2012 increased the target tax burden for beer to 35% and for spirits to 48%, but kept the targeted tax burden for wine at 23%. Since 2002/03, excise duties were often increased above inflation to achieve and maintain the targeted indirect tax burdens on alcoholic beverages.

From 2015, National Treasury started expressing the benchmark in terms of the excise burden, and not the total burden (excise plus VAT).⁸⁶ Excise tax burden is calculated by removing the VAT burden ($14/114 = 12.3\%$). Thus, the targeted alcohol excise tax burdens as a percentage of the weighted average retail price were:

- Wine: $23\% - 12.3\% = 10.7\%$, rounded up to 11%
- Beer: $35\% - 12.3\% = 22.7\%$, rounded up to 23%
- Spirits: $48\% - 12.3\% = 35.7\%$, rounded up to 36%

Figure 22 shows the **excise tax burdens** from 2002/03 to 2024/25.

Figure 22 | Targeted alcohol excise tax burdens as a percentage of the weighted average retail price



Source: (1). Republic of South Africa: National Treasury. A review of the taxation of alcoholic beverages in South Africa: A Discussion document. May 2014. (2). Republic of South Africa: National Treasury. Budget Review. 2024 • Created with Datawrapper

The guideline excise tax burdens for wine, beer, and spirits have remained at 11%, 23% and 36%, respectively, of the weighted average retail price since 2012/13.⁸⁷ The low rate for wine reflects the historical and ongoing premise that South Africa is a wine-producing country. To meet the excise tax burden targets (11% for wine, 23% for beer, and 36% for spirits), the retail price of a 750 ml bottle of wine would have to be R37.98, the retail price of a 330 ml bottle/can of beer (5% alcohol content) would have to be R9.75, and the retail price of a 750 ml bottle of spirits would have to be R245.81 (based on excise rates for beer: R135.89/L of AA, wine: R5.57/L of beverage, and spirits: R274.39/L of AA). Annual adjustments are discussed in the next section.

9.3. Annual adjustments

National Treasury's 2014 review on the taxation of alcohol beverages documents reads:

'At present, the annual adjustment in alcohol excise duties is calculated based on tax burdens derived from projected prices for the next fiscal year or the expected consumer inflation rate, whichever is higher. Adjustments made at the time of the national budget aim to maintain the current differential tax burdens between wine, beer and spirits and are reliant on annual market information of weighted average retail prices for these beverages. This market information is based on AC Nielsen, Markinor and South African Wine Industry Information and Systems (SAWIS) surveys. However, industry concerns exist around the accuracy of the current market information, the consistency of the respective market surveys utilised, and the fairness of the data required from particular alcoholic beverage industries. It is proposed that the current data sources be reviewed and an updated approach be agreed upon with the respective alcoholic beverages industries on how to access appropriate market information in a consistent, dependable and equitable manner.'

To calculate average prices, National Treasury requires detailed data from the alcohol industry. The drawback of this way of determining the increase in the excise tax is that it places too much power in the hands of industry. Their pricing decisions have a direct

impact on the magnitude of the increase in the excise tax.²⁵ In addition, the industry tries to argue the average price down to reduce their tax liability.

The tax incidence for the first nine months of the current fiscal year is used as reference point for the annual adjustments in excise duties for each category of alcoholic beverage.¹² However, the actual adjustment in excise duties is calculated based on tax burdens derived from projected prices for the next fiscal year or the expected consumer inflation rate, whichever is higher.¹² This fall-back position ensures that the market is not flooded with low-price alcoholic beverages to minimise the annual adjustment in excise duties.¹²

Even though the excise tax on alcohol is levied as a specific tax, South Africa's excise tax regime has characteristics of an *ad valorem* system.²⁵ The alcohol industry has a degree of control over the magnitude of the annual excise tax increases. For example, should SAB increase the net-of-tax price of beer by an above-inflation percentage, this would result in an above-inflation increase in the weighted average retail price of beer.²⁵ In the subsequent fiscal year, the Treasury would then increase the excise tax on beer by an above-inflation percentage to maintain the 23% excise tax burden. On the other hand, had SAB decided to increase the nominal price of beer by less than the inflation rate, the increase in the excise tax the following year would be equal to the expected inflation rate, in line with Treasury's rule/principle that says that the excise tax should be adjusted to keep to the targeted benchmark, or the expected inflation rate, whichever is the highest. A below-inflation increase in the net-of-tax price, combined with an increase in the excise tax equal to the (expected) inflation rate, would thus increase the excise tax burden to more than the benchmark 23%. Unless for competitive reasons, it would not be in the alcohol industry's financial interests to increase the net-of-tax price by less than the inflation rate.²⁵

9.4. Excise taxes based on pure alcohol

There are currently very large differences in the estimated excise duty rates, based on pure alcohol content, for the various alcoholic beverages. The relative differential rates have been widening in South Africa in recent years, especially in terms of absolute alcohol content.¹² This is shown in Figures 23 to 25 (all in 2022/23 prices), which look at the same issue from three different perspectives: (1) Figure 23: in intervals of 10 years starting in 1994/95, (2) Figure 24: for the period 1910/11 to 2024/25, and (3) Figure 25: for the period 1994/95 to 2024/25. In Figure 23, the shaded portions for unfortified wine, fortified wine and sparkling wine are to illustrate the impact of differences in the alcoholic content of these beverages on the tax amount per litre.

The excise tax on Traditional African beer and African beer powder has been eroded by inflation in the last three decades, resulting in very large differentials in the excise tax over time. For example, in 1994/95, the excise rate per litre of absolute alcohol for Traditional African beer was 7.4% that of spirits ($6.54/88.45 \times 100$). By 2024/25, the excise rate per litre of absolute alcohol for Traditional African beer was 1.0% that of spirits ($2.34/246.53 \times 100$).

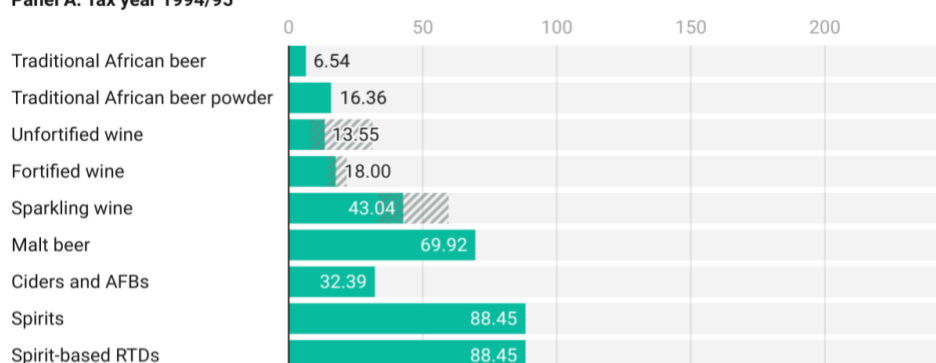
In 1994/95, ciders and Alcoholic Fruit Beverages (AFBs) (also called Flavoured Alcoholic Beverages (FABs)) used to be taxed at only 8.4% of the rate of malt beer (Figure 23 Panel A). In the 1996 Budget Review, the Department of Finance (now National Treasury) decided to adjust the excise tax on ciders and AFBs to the beer rate.⁸⁸ By 1998/99, the ciders and AFB rates were similar to that of malt beer.

In the 1960s and 1970s, the excise taxes on beer and spirits were much higher than they are at present. In fact, at its peak in the late 1960s, the value of the excise tax on beer, in real terms, was about 2.5 times the current value of excise tax.²⁵

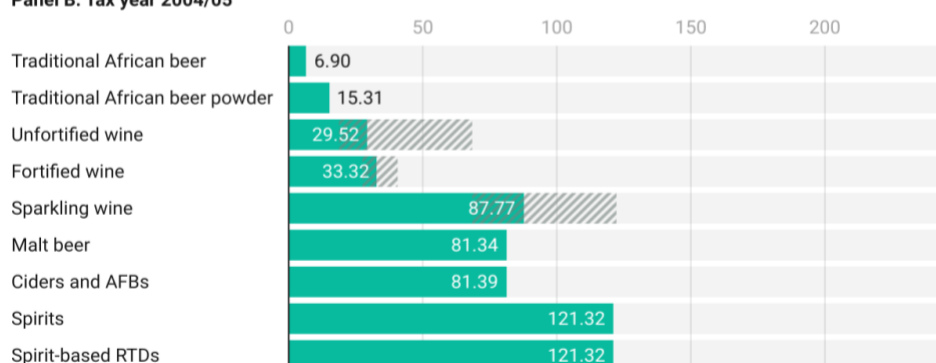
Spirits have always attracted the highest excise tax per litre of pure alcohol, except in the 1960s when malt beer was taxed higher per litre of pure alcohol, and in the 1940s to 1960s when sparkling wine was taxed higher than spirits per litre of pure alcohol (Figure 24). Malt beer is currently (2024/25) taxed at 49.5% of the spirits rate in terms of litres of pure alcohol. This gap was much less, at 79.1%, in 1994/95. In 2024/45, unfortified wine is taxed at 19.3% of the rate of spirits in terms of litres of pure alcohol. This gap was similar, at 15.3%, in 1994/95.

Figure 23 | Excise rates based on absolute alcohol content in intervals of 10 years, Rands per litre of absolute alcohol (2022/23 prices)

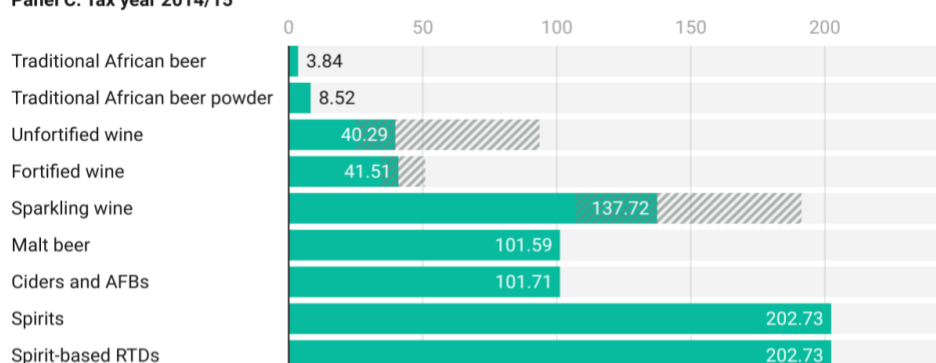
Panel A: Tax year 1994/95



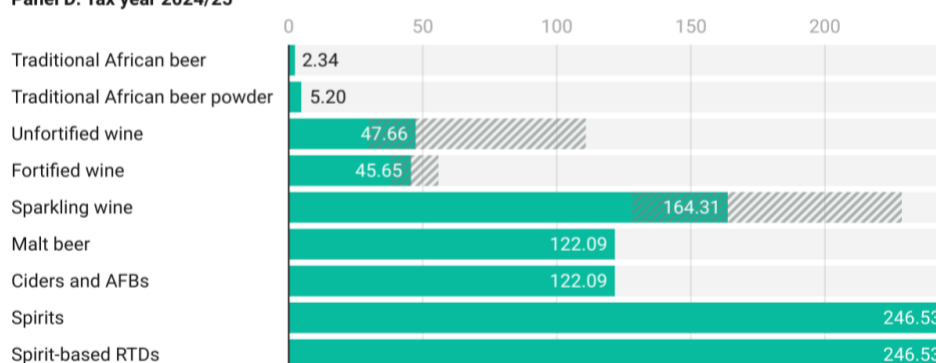
Panel B: Tax year 2004/05



Panel C: Tax year 2014/15



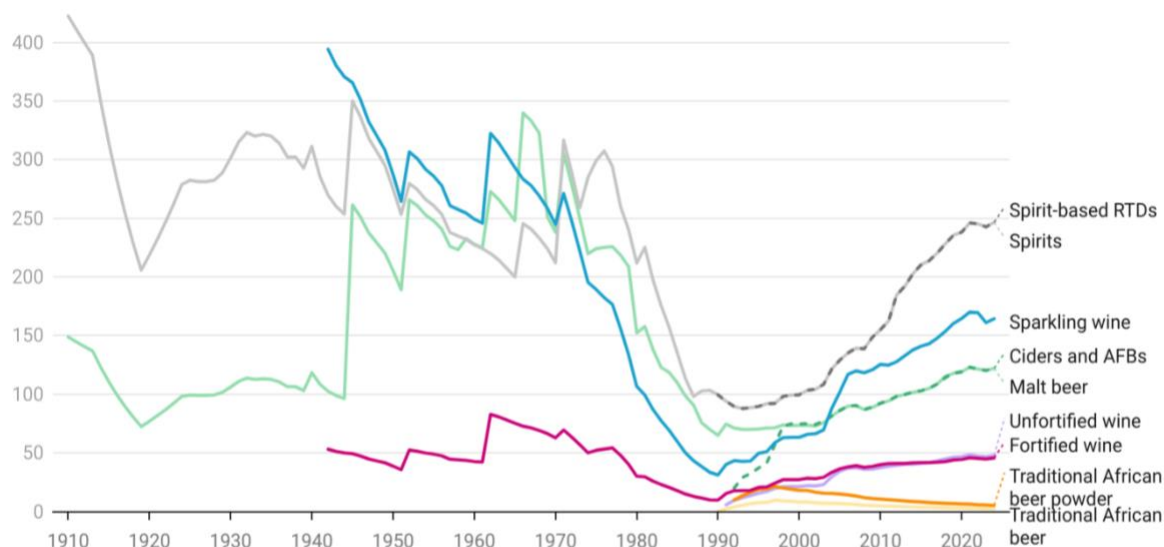
Panel D: Tax year 2024/25



Shaded areas present different pure alcohol contents. 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 annual budget reviews, e.g., Republic of South Africa: National Treasury. Budget Review, 2024. <https://www.treasury.gov.za/documents/national%20budget/2024/review/FullBR.pdf>. CPI data from Statistics South Africa. https://www.statssa.gov.za/?page_id=1854&PPN=P0141&SCH=73795 • Created with Datawrapper

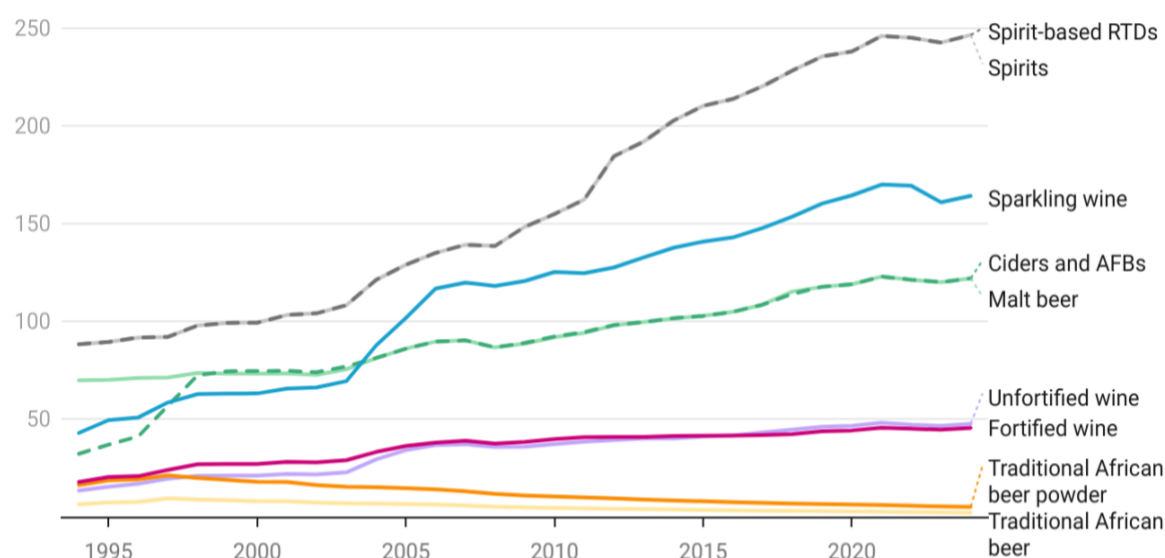
Figure 24 | Excise rates based on pure alcohol content: 1910/11 to 2024/25 (Rands per litre of pure alcohol, 2022/23 prices)



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%, fortified wine 18.5%, and sparkling wine 9.75%.

Source: Calculations based on excise data from annual budget reviews, e.g., Republic of South Africa: National Treasury. Budget Review, 2024. <https://www.treasury.gov.za/documents/national%20budget/2024/review/FullBR.pdf>. CPI data from Statistics South Africa. https://www.statssa.gov.za/?page_id=1854&PPN=P0141&SCH=73795 • Created with Datawrapper

Figure 25 | Excise rates based on pure alcohol content: 1994/95 to 2024/25 (Rands per litre of pure alcohol, 2022/23 prices)



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%, fortified wine 18.5%, and sparkling wine 9.75%.

Source: Calculations based on excise data from annual budget reviews, e.g., Republic of South Africa: National Treasury. Budget Review, 2024. <https://www.treasury.gov.za/documents/national%20budget/2024/review/FullBR.pdf>. CPI data from Statistics South Africa. https://www.statssa.gov.za/?page_id=1854&PPN=P0141&SCH=73795 • Created with Datawrapper

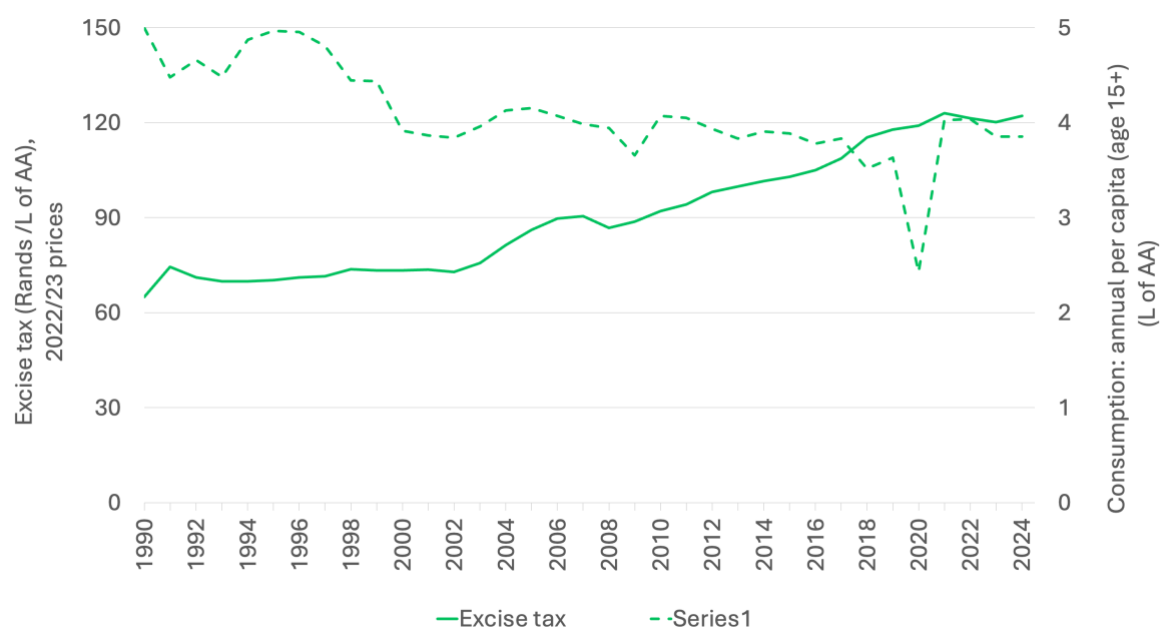
To explore the relationship between excise taxes and consumption, we present these two variables on the same graph for each of the four alcoholic beverage types for which we have per capita annual consumption data for, namely: beer (Figure 26), spirits (Figure 27), wine (Figure 28), and sorghum beer and sorghum flour (Figure 29). There is a clear inverse relationship for beer, wine, and spirits.

- From 1990 to 2024, the real excise rate on beer increased by 88%, while per capita annual consumption decreased by 23% (Figure 26). The correlation coefficient is -0.69 .
- From 1990 to 2024, the real excise rate on spirits increased by 148%, while per capita annual consumption decreased by 10% (Figure 27). The correlation coefficient is -0.42 .
- From 2001 to 2022, the real excise rate on wine increased by 114%, while per capita annual consumption decreased by 15% (figure 28). The correlation coefficient is -0.64 .

On the other hand, sorghum beer and sorghum flour excise taxes and per capita consumption moved in tandem (Figure 29):

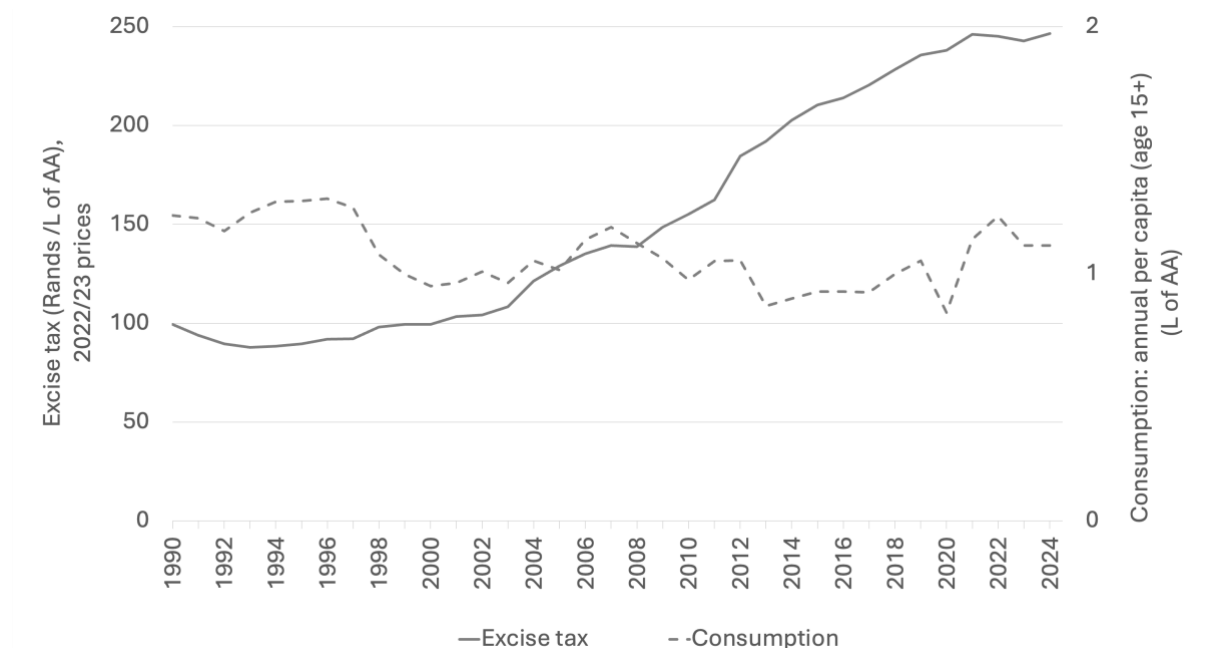
- From 1992 to 2024, the real excise rate on sorghum beer decreased by 40%, and the real excise tax on sorghum flour decreased by 46%. Over the same period, per capita annual consumption of ‘sorghum beer and sorghum flour’ (grouped together in Budget Review revenue data) decreased by 96%. The decrease in revenue may be due to a decrease in consumption, or a change in tax compliance, or both. The correlation coefficient between sorghum beer excise tax and per capita annual consumption is 0.54.

Figure 26 | Beer: Excise tax (Rands /L of AA, 2022/23 prices) and annual per capita (age 15+) consumption (L of AA)



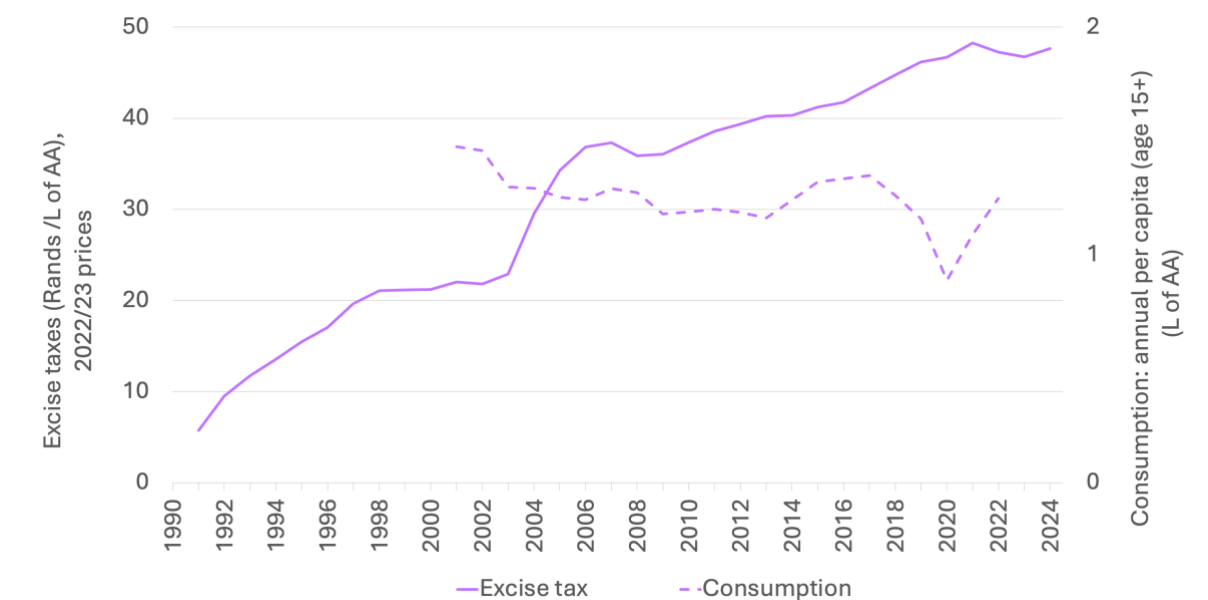
Source: Calculations based on excise and revenue data from annual Budget Reviews published by Republic of South Africa: National Treasury. Mid-year population estimates from Statistics South Africa.

Figure 27 | Spirits: Excise tax (Rands /L of AA, 2022/23 prices) and annual per capita (age 15+) consumption (L of AA)



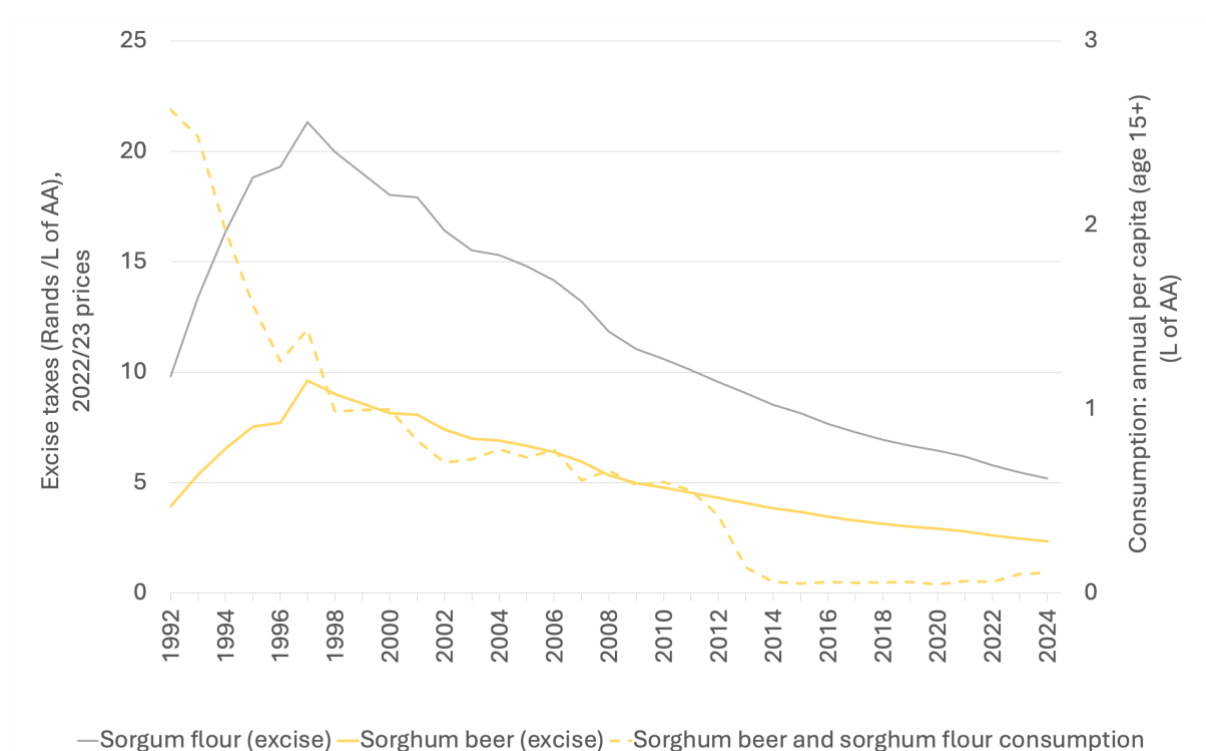
Source: Calculations based on excise and revenue data from annual Budget Reviews published by Republic of South Africa: National Treasury. Mid-year population estimates from Statistics South Africa.

Figure 28 | Wine: Excise tax (Rands /L of AA, 2022/23 prices) and annual per capita (age 15+) consumption (L of AA)



Source: Calculations based on excise and revenue data from annual Budget Reviews published by Republic of South Africa: National Treasury. Excise tax presented in this figure is for unfortified wine. Wine consumption data are from South African Wine Industry Information and Systems (SAWIS). Mid-year population estimates from Statistics South Africa. The assumption on the percentage of pure alcohol for wine, which is taxed by volume, is 10.5%.

Figure 29 | Sorghum beer and sorghum flour: Excise tax (Rands /L of AA, 2022/23 prices) and annual per capita (age 15+) consumption (L of AA)



Source: Calculations based on excise and revenue data from annual Budget Reviews published by Republic of South Africa: National Treasury. Excise tax exists for sorghum beer and sorghum flour as separate categories. Revenue data exist for the two categories combined: ‘sorghum beer and sorghum flour’. The assumption on the percentage of pure alcohol for these products, which are taxed by volume, is 3% for sorghum beer, and 6% for sorghum flour. The average, 4.5%, is used for the revenue data (used to calculate consumption). Mid-year population estimates from Statistics South Africa.

9.5. 2024/25 rates

On 21 February 2024, the Finance Minister announced the new excise rates, as published in the 2024 Budget Review.⁸⁷ A summary of the excise tax increases is found on page 42, Table 4.6 of the Budget Review, while a comprehensive list of all specific excise tax changes are in Annexure C, Table C.4, on pages 127 to 129 (which also includes WCO’s tariff headings).⁸⁷ Table 11 is a snapshot summary of Table 4.6, and the comprehensive list (Budget Review’s Annexure C Table C.4) can be found in Appendix 2 of this report. The inflation adjustments differ by alcohol type. Wine was increased by a higher amount than beer and spirits, which may reflect the Treasury’s recognition that wine is not taxed sufficiently. Excise tax on wine was increased by inflation plus 2.5%, while the excise taxes on malt beer, ciders and alcoholic fruit beverages, and spirits were increased by inflation plus 2%.

Table 11 | Changes in specific excise duties of the most popular drinks, 2024/25

Product	Current excise duty rate	Proposed excise duty rate	Percentage change	
			Nominal	Real
Malt beer	R127.40 / litre of absolute alcohol (216,58c / average 340ml can)	R135.89 / litre of absolute alcohol (231,02c / average 340ml can)	6.67	2.00
Traditional African beer	7,82c / litre	7,82c / litre	–	-4.67
Traditional African beer powder	34,70c / kg	34,70c / kg	–	-4.67
Unfortified wine	R5.20 / litre	R5.57 / litre	7.17	2.50
Fortified wine	R8.77 / litre	R9.40 / litre	7.17	2.50
Sparkling wine	R16.64 / litre	R17.83 / litre	7.17	2.50
Ciders and alcoholic fruit beverages	R127.40 / litre of absolute alcohol (216,58c / average 340ml can)	R135.89 / litre of absolute alcohol (231,02c / average 340ml can)	6.67	2.00
Spirits	R257.23 / litre of absolute alcohol (R82.96 / 750ml bottle)	R274.39 / litre of absolute alcohol (R88.49 / 750ml bottle)	6.67	2.00

Notes: The full table is found in Appendix 2 of this report and Annexure Table C.4 of the 2024 Budget Review.

Source: Republic of South Africa: National Treasury. 2024. 2024 Budget Review.

<https://www.treasury.gov.za/documents/National%20Budget/2024/review/FullBR.pdf>

9.6. Sorghum beer and sorghum flour

Sorghum beer is also known as Traditional African beer. The excise tax on sorghum beer has been R0.0782 per litre of beverage since 2001. The excise tax on sorghum flour has been R0.347/kg since 2001. The excise tax on both products has been eroded by inflation in the past two decades (Figure 29 above), and has decreased by more than 70% in real terms since its peak in 1997. At less than 8 cents per litre, sorghum beer is subject to the lowest excise tax by far. According to a 2014 National Treasury document, the low rate is due to the ‘negative distributional effect’ of alcohol taxation on the poor, and the risk that any significant taxation of Traditional African beer will lead to increased home brewing with potentially hazardous health results.¹² Along the same lines, National Treasury, in a 2023 document, noted: ‘Traditional African beer has often been taxed lower to account for the negative distributional effect of alcohol taxation on the poor as this market is very informal and very small in South Africa’.⁸⁹

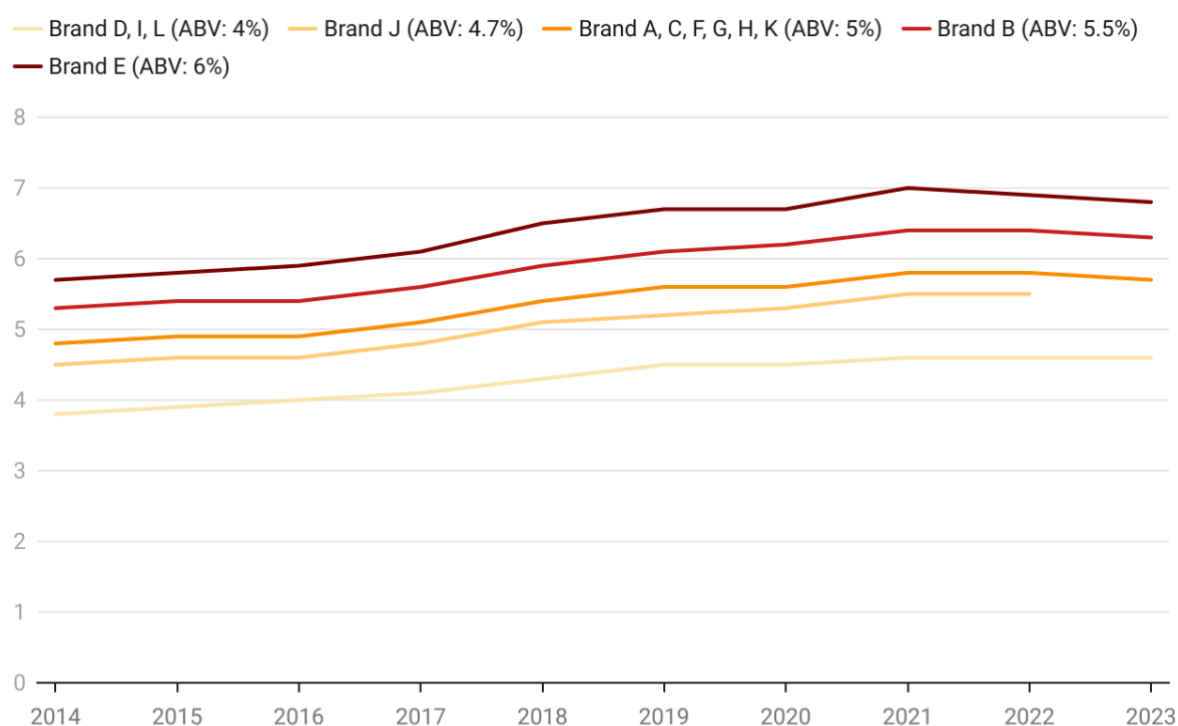
In contrast, Parry *et al.*⁹⁰ made a case that not increasing the tax on sorghum beer was discriminatory against the poor in terms of reducing their access to a harmful substances. The authors of this 2003 research paper recommended that the total tax on commercial sorghum beer and sorghum powder (as a percentage of the retail selling price) be increased to approximately 50% of that of malt beer.⁹⁰

While Traditional African beer powder has been around for decades, commercialised beer powder has only gained popularity in the past few years. From 1 October 2022, beer powder has been taxed at the same inflation-eroded rate as sorghum powder (34.7c/kg). In Budget Review 2022,⁹¹ National Treasury, writing about beer powder, said ‘The current excise duty regime applies a flat excise rate for traditional African beer powder of 34.7c/kg. There are similar products in the market. In the interest of equity, these products will be included in the tax net with an excise equivalent to the powder rate from 1 October 2022’.

9.7. Beer

Malt beer is taxed at R135.89/L of absolute alcohol (2024/25 rates). Since beer is taxed by alcohol content, beers with a lower absolute alcohol content pay less tax than beer with a higher alcohol content (Figure 30). Real excise taxes increased from 2014 to 2021, decreasing marginally in 2022 and 2023. To see the exact numbers graphed in the figure below, see Appendix 1.

Figure 30 | Real excise tax of beer per litre of beverage by brand (Rands, base: 2021)



Source: Statistics South Africa • Created with Datawrapper

The excise tax for unfortified wine in 2024/25 is R5.57 per litre, fortified wine is R9.40 per litre, and sparkling wine is R17.83 per litre. According to the 2023 Budget Review, the rate for sparkling wine has been realigned in accordance with the policy decision taken in 2016 to peg it at 3.2 times that of natural unfortified wine.⁷⁰ Since the excise tax remains the same regardless of alcohol content, wine producers have no incentive to decrease the amount of absolute alcohol so as to reduce their tax liability.

9.8. Flavoured alcohol beverages (FABs) other than beer and wine

SARS and the alcohol industry sometimes disagree on the applicable tariff heading to apply to flavoured alcohol beverages.⁸² SARS's tariff headings mirror the nomenclature of the World Customs Organisation's (WCO) Harmonized System.⁸² Each heading is identified by a four digit code, of which the first two represent the chapter number and the last two the position of the heading in the chapter. The WCO classifies flavoured alcoholic beverages (FABs) under Chapter 22 in Part 1 of Schedule 1: 'Beverages, spirits and vinegar'.⁸² Table C.4 in South Africa's annual national budgets provides details for tariff item, tariff subheading, article description, previous years rate of excise duty, and the new rate of excise duty. In the 2024

budget, Table C.4 is found on pages 127–129.⁸⁷ For ease of reference, the tables can be found in Appendix 2 of this report.

In 2009, the Harmonized System Committee of the WCO issued a classification opinion that FABs that underwent processes that removed all original characteristics of the alcoholic beverages should be classified as spirits under tariff heading 22.08.¹² Their justification for taxing them at the higher spirits rate was based on the fact that technological advances in alcohol manufacturing and product development made the source of the alcohol in them indistinguishable.¹² Alcoholic beverages with a fermented alcohol base can be treated through purification practices that change their essential fermented character.¹² As a result, it is difficult to distinguish between (1) fermented beverages that have been stripped of their fermented character, and (2) spirits.¹²

A dispute between SARS and SAB ended up in the Supreme Court in May 2018.⁸² SARS appealed the High Court's decision that SAB's flavoured alcohol beverages (FABs) are classifiable under tariff heading 22.06 (SARS wanted them classified under tariff heading 22.08).⁸² Tariff heading 22.06 reads: '*Other fermented beverages (for example, cider, perry, mead, saké); mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included*'. Tariff heading 22.08 reads: '*Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80% vol; spirits, liqueurs and other spirituous beverages*'.

FABs can be produced in different ways; they can be made either from a non-distilled fermented base or from distilled spirits.⁸² Only where a FAB is made from distilled spirits can it be classified under tariff heading 22.08.⁸² SAB contended that the eleven FABs in question (five flavours of Brutal Fruit, Sarita Dry, Sarita Ruby Dry, Redds Original, Redds Dry, Blake & Doyle Premium, and Skelter's Straight) were fermented alcoholic beverages which could only be properly classified under tariff heading 22.06 because they contained no distilled alcohol.⁸² SAB argued that, by their nature, the beverage mixtures fell within tariff heading 22.06 as mixtures of '*fermented alcoholic beverages and non-alcoholic beverages*'.⁸²

From 2001, the FABs had been the subject of various determinations by SARS.⁸² By September 2006, all FABs were classified under 2206.00.90.⁸² On 30 October 2013 that classification was revised to 2208.90.22,⁸² and therefore taxed at the spirits rate. It is this last determination that was contested in the Supreme Court.⁸² On 27 June 2018, the Supreme Court dismissed SARS's appeal, ruling that the eleven FABs under question can only be correctly classified under 'other' (2206.00.90).⁸²

Prior to 2016/17, the rate of excise duty applied to 2206.00.90 aligned with the *beer* rate. From 2016/17, 2206.00.90 aligned to the *spirits* rate. Therefore, Brutal Fruit, Sarita Dry, Sarita Ruby Dry, Redds Original, Redds Dry, Blake & Doyle Premium, and Skelter's Straight, (and presumably all other similar FABs) are taxed at the spirits rate.

Given that FABs are often consumed by youth, and that they are not an acquired taste like some other alcoholic beverages, taxing them at a high rate is good for public health.

9.9. Spirits

Spirits and spirit coolers (i.e., RTDs with a spirit base) are taxed at R274.39/L of absolute alcohol. The excise tax increases as alcohol content increases. Producers are thus incentivised to decrease the amount of absolute alcohol to reduce their tax liability.

The excise rate on pot-stilled brandy is R246.95/L of AA, 10% lower than the rate on whiskey (and all other spirits at R274.39/L of AA). In the 2022/23 tax year, only 2% of total brandy revenue came from pot-stilled brandy, indicating that the pot-stilled brandy market is a very small. The National Treasury was successfully lobbied by brandy producers to impose a lower excise tax on brandy, such that the playing field between the various spirits subcategories, in terms of total tax burden, is more equal. Excise duty relief was implemented in 2016.⁹ Brandy producers argued that they are subject to more stringent production standards than producers of other spirits, and that these stringent regulatory requirements put them at a competitive disadvantage compared to other spirits.⁹² The excise duty rate for pot-stilled and vintage brandy was reduced by 10% relative to other spirits.⁹

To be classified as a liqueur, a product needs to have a minimum of 15% AA.⁵⁹ There are two categories for 'liqueurs and cordials' (Appendix 3 of this report and Table C.4 of the 2024 Budget Review):

1. 'With an alcohol strength by volume exceeding 15 per cent by vol. but not exceeding 23 per cent by vol.', taxed at R109.76/L of AA.
2. 'Other', taxed at R274.39/L of AA

Amarula (17% AA) is the leading cream-based liqueur.³² Other brands include Cape Velvet (16% AA), Wild Africa Cream (15% AA), and KWV Van der Hum liqueur (25% AA).

9.10. Sugar-fermented beverages

According to an official from the Tax Policy Unit (personal communication, 11 September 2023):

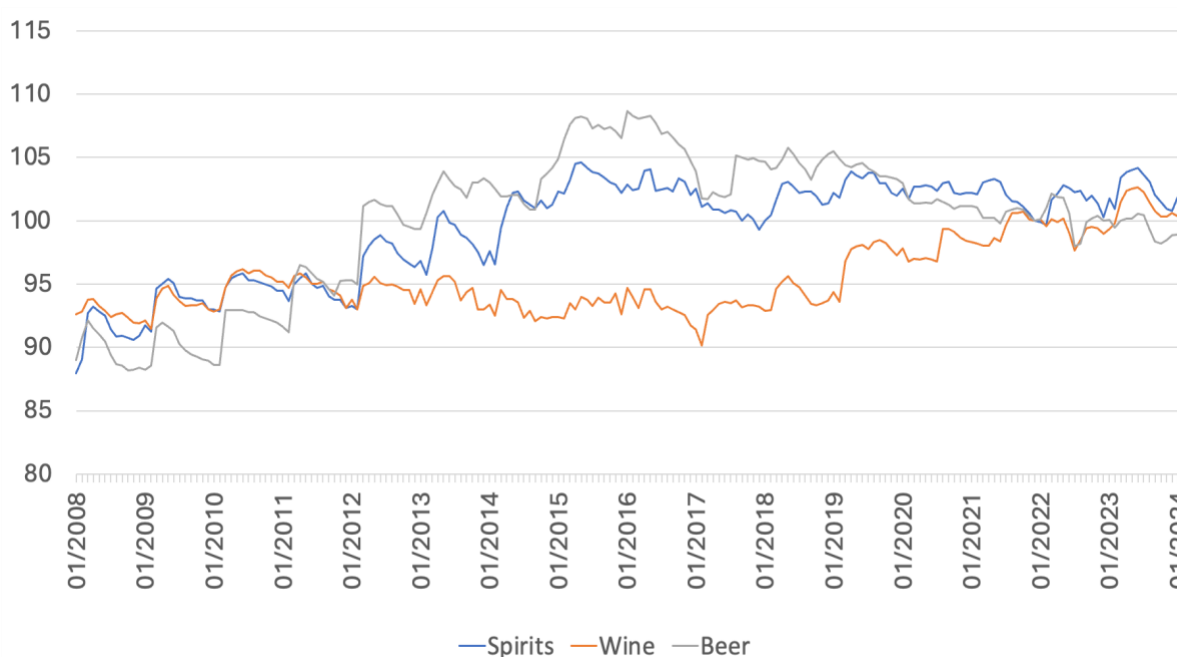
- SFBs are taxed at the spirits rate (R274.39/L of AA) (this is also stated in a 2021 Euromonitor Consulting report⁹³);
- SFBs fall under tariff sub-heading 2206.00.90 (Annexure Table C.4 of the 2024 budget), which is labelled as 'Other' in the 'Other fermented beverages section' (tariff heading 2206);⁸⁷
- SFBs fall under the punitive rate of R274.39 because their production process is much cheaper than that of other fermented beverages (which are taxed at the much lower rate of R135.89/L of AA or less).

10. PRICE ANALYSIS

Historical prices

Publicly available data on historical average prices for spirits, wine, and beer were obtained online from Statistics South Africa.⁷⁹ Statistics South Africa provides an Excel file with monthly time-series data from January 2008 to the latest month (at time of data collection, the latest month was March 2024).⁷⁹ Figure 31 shows inflation-adjusted prices for spirits, wine, and beer. Over the period January 2008 to March 2024, the inflation-adjusted average price of spirits increased by 15.9%. This increase occurred in the first half of the period. Over the period January 2008 to March 2024, the inflation-adjusted average price of wine increased by 8.1%, predominantly in the second half of the period. The average price of beer increased by 10.8% over the period January 2008 to March 2024, driven by increases in the first half of the period. Beer became more affordable from January 2016 to March 2024, when the average price decreases by 9.3%.⁷⁹

Figure 31 | Average real prices for spirits, wine, and beer (base: Dec 2021)



Source: Statistics South Africa. Time series data: Excel - - CPI(COICOP) from Jan 2008 (202403).
https://www.statssa.gov.za/?page_id=1854&PPN=P0141&SCH=73791. 2024

Current prices

Data on the market share of the three most popular drinks (measured as a percentage of total volume) by drink type in 2022 were obtained from Euromonitor International³² (Table 12). For RTDs, we looked at the four most popular drinks to capture a *spirit-based* RTD (Red Square).

Table 12 | Most popular drinks by drink type

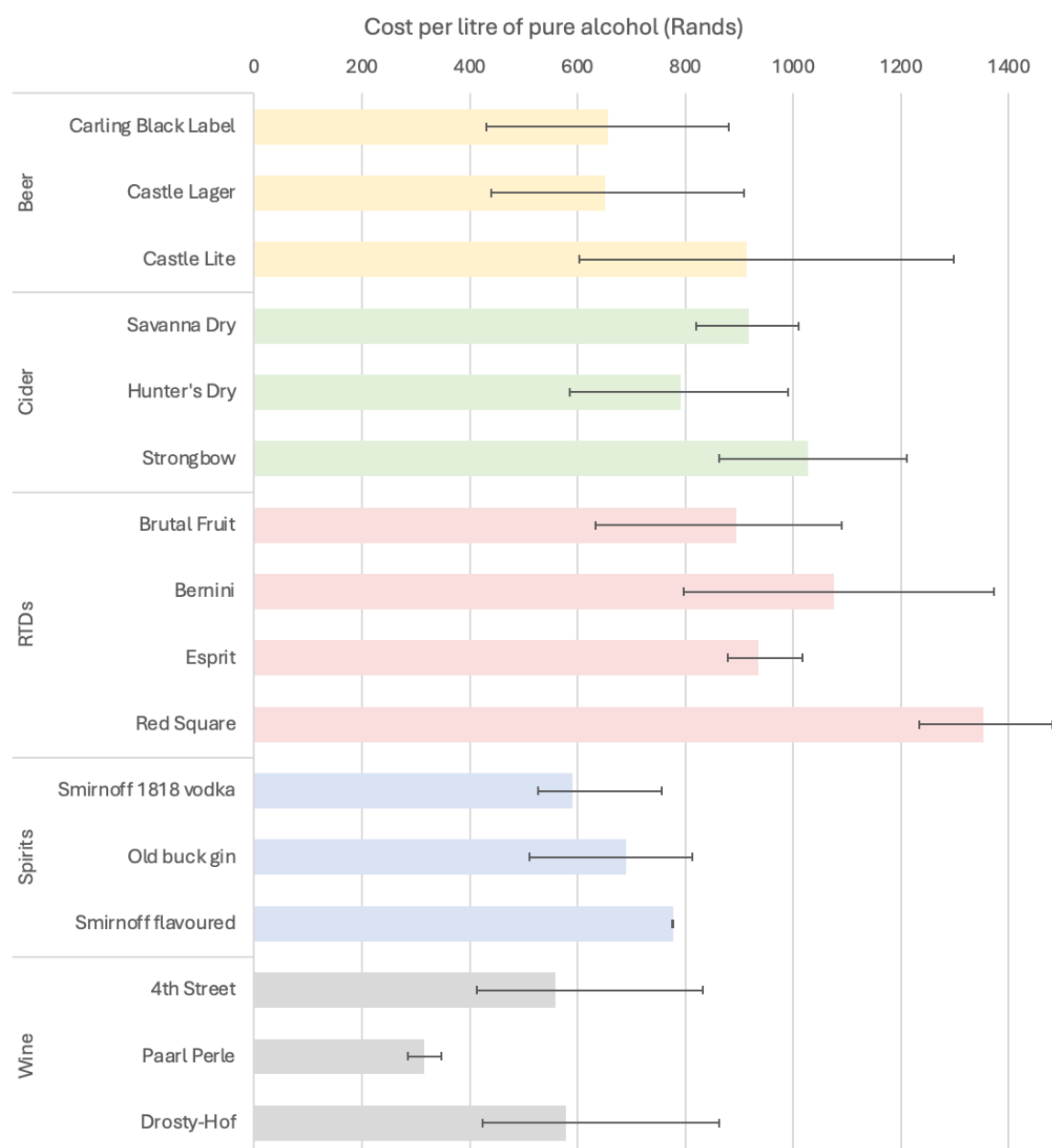
	Brand	Producer	Market share (% of total volume within each alcohol category)
Beer	Carling Black Label	SAB	23.9%
	Castle	SAB	18.2%
	Castle Lite	SAB	14.0%
Cider	Savanna	Distell	42.8%
	Hunter's	Distell	14.0%
	Strongbow	Heineken	9.1%
RTDs	Brutal Fruit (beer-based)	SAB	18.9%
	Bernini (wine-based)	Distell	12.1%
	Esprit (fruit-based)	Distell	8.0%
	Red Square (spirits-based)	Halewood International Ltd	7.9%
Spirits	Smirnoff 1818 vodka	Diageo SA	9.4%
	Old Buck gin	Distell	7.6%
	Smirnoff Flavoured vodka	Diageo SA	6.1%
Still light grape wine	4th Street	Distell	18.8%
	Paarl Perle	Distell	8.3%
	Drostdy-Hof	Distell	6.6%

Source: Euromonitor International. Alcoholic Drinks in South Africa. <https://www.euromonitor.com/alcoholic-drinks-in-south-africa/report>. June 2023 • Created with Datawrapper

Price data for a variety of packaging types for these 16 brands were manually obtained online on 4 March 2024, twelve days after the 2024/25 excise tax amounts were announced in the 2024 Budget Review,⁸⁷ allowing sufficient time for excise tax increases to be passed through to retail prices. Data were drawn primarily from Shoprite (n=106),⁹⁴ South Africa's largest retailer. An additional eight price points for bulk purchases (not offered by Shoprite) were obtained from Pick n Pay.⁹⁵

Figure 32 provides a summary based on the cost per litre of pure alcohol. The coloured bars represent the average cost per litre of pure alcohol, and the thin black bars represent 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 (lowest cost per litre of pure alcohol) way 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).

Figure 32 | 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

The lower ends of the thin black bars show that the cheapest way (measured as the cost per litre of absolute alcohol) to consume alcohol is wine, followed by beer, and then spirits (Figure 32). RTDs are the most expensive drink type, followed by beers and ciders. Across all 114 price points, the cheapest way to consume alcohol (measured as the cost per litre of absolute 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). The average cost per litre of pure alcohol across the 114 price points is R787.44/L of AA. A more detailed analysis by drink type follows after an explanation of excise tax shares.

Excise tax share

National Treasury's guideline excise tax burdens for wine, beer, and spirits are currently 11%, 23%, and 36%, respectively, of the weighted average retail price.⁸⁷ These percentages exclude VAT, which is currently 15%. The maximum retail prices to meet these thresholds are presented in Table 13 and are calculated as follows:

- The 2024/25 excise tax per litre of pure alcohol for beer is R135.89. The excise tax per litre of beer with 5% alcohol in 2024/25 is R6.79 ($R135.89 \times 0.05$). To meet the 23% excise tax burden target, the retail price of 1L of beer needs to be R29.54 or less ($R6.79 / 0.23$). Any amount above R29.54 will result in an excise tax burden less than 23%.
- The 2024/25 excise tax per litre of pure alcohol for spirits is R274.39. The excise tax on one litre of spirits with 43% pure alcohol is R117.99. To meet the 36% excise tax burden target, the retail price of 1L of spirits needs to be R327.74. Any amount above R327.74 will result in an excise tax burden less than 36%.
- The 2024/25 excise tax per litre of beverage for wine is R5.57, regardless of alcohol content. To meet the 11% excise tax burden target, the retail price of 1L of wine needs to be R50.64. Any amount above R50.64 will result in an excise tax burden less than 11%.

Table 13 | Maximum retail price to meet excise tax targets

Alcohol type	Pure alcohol	Excise tax per Litre of pure alcohol	Excise tax per Litre of beverage	Treasury's guideline excise tax burdens of the weighted average retail price	Retail price per litre of beverage needs to be $\leq$ this amount to meet targeted excise tax burden
Beer	5%	R135.89	R6.79	23%	R29.54
Spirits	43%	R274.39	R117.99	36%	R327.74
Wine	4.5–15.5%	--	R5.57	11%	R50.64

The excise tax share is heavily dependent on the retail price (the denominator). The retail price consists of excise tax, VAT, and the balance, referred to as the net-of-tax price. The net-of-tax price includes costs and profits along the supply chain.

Beer

In this section, we refer to industrially-produced malt beer. Sorghum beer and sorghum beer powder are taxed differently and at a far lower rate (see section 9). The most popular beer brands in South Africa are Carling Black Label, Castle, and Castle Lite, which collectively account for 56.1% of the total volume for beer. Shoprite sells Carling Black Label and Castle Lager in 15 different packaging options for each brand, while there are 22 different packaging types for Castle Lite. Generally, the price per litre decreases as packaging size increases. This holds within packaging size, e.g., cheaper to buy 24 X 330ml bottles than 1 X 330ml, and also when packaging size increases, e.g., a 1L bottle versus a 330ml bottle.

The most cost-effective way to purchase beer (any brand) is to buy 12 X 1L bottles of Carling Black Label (cost per litre of pure alcohol: R431.80) (Table 14). For Castle Lager and Castle Lite, the cost per litre of pure alcohol is cheapest when buying 1 X 1L, even though both are also sold in cases of 12 X 1L.

The cells highlighted in green in the ‘excise tax share of retail price’ column are the ones that meet or exceed the 23% target.

Table 14 | Beer (excise tax of R135.89 per litre of pure alcohol)

	Total ml	Retail price on 4 March 2024	Excise tax	Excise tax share of retail price	Retail price per litre of beverage	Excise tax per litre	Cost per litre of pure alcohol
<i>Carling Black Label (5.5%)</i>							
1 X 330ml (bottle)	330	15.99	2.47	15.4%	48.45	7.47	880.99
6 X 330ml (bottles)	1980	89.99	14.80	16.4%	45.45	7.47	826.35
12 x 330ml (bottles)	3960	164.99	29.60	17.9%	41.66	7.47	757.53
24 X 330ml (bottles)	7920	294.99	59.19	20.1%	37.25	7.47	677.20
1 X 330ml (can)	330	14.99	2.47	16.5%	45.42	7.47	825.90
6 X 330ml (can)	1980	89.99	14.80	16.4%	45.45	7.47	826.35
24 X 330ml (can)	7920	294.99	59.19	20.1%	37.25	7.47	677.20
1 X 500ml (can)	500	18.99	3.74	19.7%	37.98	7.47	690.55
6 X 500ml (cans)	3000	94.99	22.42	23.6%	31.66	7.47	575.70
12 X 500ml (cans)	6000	194.99	44.84	23.0%	32.50	7.47	590.88
24 X 500ml (cans)	12000	379.99	89.69	23.6%	31.67	7.47	575.74
1 X 750ml (bottles)	750	21.99	5.61	25.5%	29.32	7.47	533.09
12 X 750ml (bottles)	9000	264.99	67.27	25.4%	29.44	7.47	535.33
1 X 1000ml (bottles)	1000	23.99	7.47	31.2%	23.99	7.47	436.18
12 X 1000ml (bottles)	12000	284.99	89.69	31.5%	23.75	7.47	431.80
<i>Castle Lager (5%)</i>							
1 X 330ml (bottle)	330	14.99	2.24	15.0%	45.42	6.79	908.48
6 X 330ml (bottles)	1980	79.99	13.45	16.8%	40.40	6.79	807.98
12 X 330ml (bottles)	3960	134.99	26.91	19.9%	34.09	6.79	681.77
24 X 330ml (bottles)	7920	259.99	53.81	20.7%	32.83	6.79	656.54
1 X 330ml (can)	330	13.99	2.24	16.0%	42.39	6.79	847.88
6 X 330ml (cans)	1980	79.99	13.45	16.8%	40.40	6.79	807.98
24 X 330 ml (cans)	7920	259.99	53.81	20.7%	32.83	6.79	656.54
1 X 500ml (can)	500	16.99	3.40	20.0%	33.98	6.79	679.60
6 X 500ml (cans)	3000	94.99	20.38	21.5%	31.66	6.79	633.27
12 X 500ml (cans)	6000	174.99	40.77	23.3%	29.17	6.79	583.30
24 X 500ml (cans)	12000	349.99	81.53	23.3%	29.17	6.79	583.32
1 X 750ml (bottle)	750	19.99	5.10	25.5%	26.65	6.79	533.07
12 X 750ml (bottles)	9000	234.99	61.15	26.0%	26.11	6.79	522.20
1 X 1L (bottle)	1000	21.99	6.79	30.9%	21.99	6.79	439.80
12 X 1L (bottles)	12000	264.99	81.53	30.8%	22.08	6.79	441.65
<i>Castle Lite (4%)</i>							
1 X 250ml (bottle)	250	12.99	1.36	10.5%	51.96	5.44	1299.00
6 X 250ml (bottles)	1500	59.99	8.15	13.6%	39.99	5.44	999.83
24 X 250ml (bottles)	6000	214.99	32.61	15.2%	35.83	5.44	895.79
1 X 330ml (bottle)	330	15.99	1.79	11.2%	48.45	5.44	1211.36
6 X 330ml (bottles)	1980	89.99	10.76	12.0%	45.45	5.44	1136.24
12 X 330ml (bottles)	3960	164.99	21.52	13.0%	41.66	5.44	1041.60
24 X 330ml (bottles)	7920	279.99	43.05	15.4%	35.35	5.44	883.81
1 X 330ml (can)	330	12.99	1.79	13.8%	39.36	5.44	984.09

6 X 330ml (cans)	1980	89.99	10.76	12.0%	45.45	5.44	1136.24
24 X 330ml (cans)	7920	279.99	43.05	15.4%	35.35	5.44	883.81
1 X 440ml (bottle)	440	18.99	2.39	12.6%	43.16	5.44	1078.98
8 X 440ml (bottles)	3520	134.99	19.13	14.2%	38.35	5.44	958.74
24 X 440ml (bottles)	10560	384.99	57.40	14.9%	36.46	5.44	911.43
1 X 500ml (can)	500	18.99	2.72	14.3%	37.98	5.44	949.50
6 X 500ml (cans)	3000	99.99	16.31	16.3%	33.33	5.44	833.25
12 X 500ml (cans)	6000	184.99	32.61	17.6%	30.83	5.44	770.79
16 X 500ml (cans)	8000	199.99	43.48	21.7%	25.00	5.44	624.97
24 X 500ml (cans)	12000	300	65.23	21.7%	25.00	5.44	625.00
1 X 660ml (bottle)	660	21.99	3.59	16.3%	33.32	5.44	832.95
12 X 660ml (bottles)	7920	259.99	43.05	16.6%	32.83	5.44	820.68
1 X 910ml (bottle)	910	21.99	4.95	22.5%	24.16	5.44	604.12
12 X 910ml (bottles)	10920	279.99	59.36	21.2%	25.64	5.44	641.00

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

Cider

The three most popular ciders, which collectively account for 65.9% of total cider volume, are Savanna, Hunter's Dry, and Strongbow. Of the 19 price points, the most cost-effective way to consume pure alcohol for a cider drinker is to buy 24 X 440ml cans of Hunter's Dry (R585.40/L of pure alcohol) (Table 15). The least cost-effective way is to buy 1 X 330ml bottle of Strongbow (R1211/L of pure alcohol). Among ciders (which are taxed at the same rate as beer at R135.89/L of pure alcohol) in the sample, only Hunter's Dry 24 X 440ml (cans) meets the 23% excise tax burden benchmark. This is because the retail price (denominator) of ciders is generally larger than the retail prices of beer.

Table 15 | Cider (excise tax of R135.89 per litre of pure alcohol)

	Total ml	Retail price on 4 March 2024	Excise tax	Excise tax share of retail price	Retail price per litre of beverage	Excise tax per litre	Cost per litre of pure alcohol
<i>Savanna Dry (6%)</i>							
1 X 330ml (bottle)	330	19.99	2.69	13.5%	60.58	8.15	1009.60
6 X 330ml (bottles)	1980	114.99	16.14	14.0%	58.08	8.15	967.93
24 X 330ml (bottles)	7920	429.99	64.57	15.0%	54.29	8.15	904.86
6 X 500ml (bottles)	3000	159.99	24.46	15.3%	53.33	8.15	888.83
12 X 500ml (bottles)	6000	294.99	48.92	16.6%	49.17	8.15	819.42
<i>Hunter's Dry (5.5%)</i>							
1 X 330ml (bottle)	330	17.99	2.47	13.7%	54.52	7.47	991.18
6 X 330ml (bottles)	1980	99.99	14.80	14.8%	50.50	7.47	918.18
24 X 330ml (bottles)	7920	359.99	59.19	16.4%	45.45	7.47	826.42
1 X 440ml (cans)	440	19.99	3.29	16.5%	45.43	7.47	826.03
6 X 440ml (cans)	2640	109.99	19.73	17.9%	41.66	7.47	757.51
24 X 440ml (cans)	10560	340	78.92	23.2%	32.20	7.47	585.40
1 X 660ml (bottle)	660	26.99	4.93	18.3%	40.89	7.47	743.53
12 X 660ml (bottles)	7920	299.99	59.19	19.7%	37.88	7.47	688.68
<i>Strongbow Gold Apple (4.5%)</i>							
1 X 330ml (bottle)	330	17.99	2.02	11.2%	54.52	6.12	1211.45
6 X 330ml (bottles)	1980	99.99	12.11	12.1%	50.50	6.12	1122.22

24 X 330ml (bottles)	7920	369.99	48.43	13.1%	46.72	6.12	1038.13
1 X 440ml (can)	440	19.99	2.69	13.5%	45.43	6.12	1009.60
6 X 440ml (cans)	2640	109.99	16.14	14.7%	41.66	6.12	925.84
24 X 440ml (bottles)	10560	409.99	64.57	15.8%	38.82	6.12	862.77

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

RTDs

The term Ready-to-drink (RTD) refers to drinks that are premixed and ready for consumption. RTDs include Alcoholic Fruit Beverages (AFBs) (also called Flavoured Alcoholic Beverages) and spirit-based RTDs (also called spirit coolers). AFBs are taxed at the spirits rate (R274.39/L of pure alcohol in 2024/25), under tariff heading 22.06.00.90 (See Section 9.10). The most popular RTDs (Brutal Fruit, Bernini, Esprit) account for 39% of total RTD volume sold. We include Red Square, the fourth most popular RTD (7.9% of total volume) in the analysis as it is a spirit-based RTD.

RTDs are the most expensive way to consume pure alcohol. All four of the brands come in 275ml bottles. Brutal Fruit and Bernini are also packaged in 500ml cans. Brutal Fruit bought in 24 X 500ml cans is the most cost-effective way to drink RTDs (R633.33/L of pure alcohol) (Table 16). The most expensive drink, in terms of cost per litre of pure alcohol, is Red Square bought as a single 275ml bottle. Brutal Fruit, when sold in 6 x 500ml cans and 24 x 500ml cans, meets the excise tax target of 36%.

Table 16 | RTDs (excise tax of R274.39 per litre of pure alcohol)

	Total ml	Retail price on 4 March 2024	Excise tax	Excise tax share of retail price	Retail price per litre of beverage	Excise tax per litre	Cost per litre of pure alcohol
<i>Brutal Fruit Ruby Apple (5%)</i>							
1 X 275ml (bottle)	275	13.99	3.77	27.0%	50.87	13.72	1017.45
6 X 275ml (bottles)	1650	89.99	22.64	25.2%	54.54	13.72	1090.79
24 X 275ml (bottles)	6600	334.99	90.55	27.0%	50.76	13.72	1015.12
1 X 500ml (cans)	500	21.99	6.86	31.2%	43.98	13.72	879.60
6 X 500ml (cans)	3000	109.99	41.16	37.4%	36.66	13.72	733.27
24 X 500ml (cans)	12000	380	164.63	43.3%	31.67	13.72	633.33
<i>Bernini Blush (4.5%)</i>							
1 X 275ml (bottle)	275	16.99	3.40	20.0%	61.78	12.35	1372.93
6 X 275ml (bottles)	1650	94.99	20.37	21.4%	57.57	12.35	1279.33
24 X 275ml (bottles)	6600	339.99	81.49	24.0%	51.51	12.35	1144.75
1 X 500ml (can)	500	21.99	6.17	28.1%	43.98	12.35	977.33
6 X 500ml (cans)	3000	119.99	37.04	30.9%	40.00	12.35	888.81
24 X 500ml (cans)	6000	214.99	74.09	34.5%	35.83	12.35	796.26
<i>Esprit Mango (5%)</i>							
1 X 275ml (bottle)	275	13.99	3.77	27.0%	50.87	13.72	1017.45
6 X 275ml (bottles)	1650	74.99	22.64	30.2%	45.45	13.72	908.97
24 X 275ml (bottles)	6600	289.99	90.55	31.2%	43.94	13.72	878.76
<i>Red Square Red Ice Sprint (5.4%)</i>							
1 X 275ml (bottle)	275	21.99	4.07	18.5%	79.96	14.82	1480.81
6 X 275ml (bottles)	1650	119.99	24.45	20.4%	72.72	14.82	1346.69

24 X 275ml (bottles)	6600	439.99	97.79	22.2%	66.67	14.82	1234.54
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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

Spirits

All of the most popular spirits (Smirnoff 1818 vodka, Old Buck gin, and Smirnoff Flavoured vodka), which collectively account for 23.1% of total volume for spirits, are available in bottles of 750ml. Shoprite sells Smirnoff 1818 vodka in other packaging types (200ml, 500ml, 750ml, and 1L). In this small sample, the cheapest way to consume pure alcohol is to purchase a 750ml bottle of Old Buck gin (R511.60/L of pure alcohol), while the most expensive is a 200ml bottle of Old Buck gin (R813.84 /L of pure alcohol) (Table 17). Of the six Smirnoff 1818 pack types, the most cost-effective way is to buy 12 X 750ml bottles (R526.35/L of pure alcohol). Eight of the eleven spirits in the sample meet the 36% target set by Treasury.

Table 17 | Spirits (excise tax of R274.39 per litre of pure alcohol)

	Total ml	Retail price on 4 March 2024	Excise tax	Excise tax share of retail price	Retail price per litre of beverage	Excise tax per litre	Cost per litre of pure alcohol
<i>Smirnoff 1818 Vodka (43%)</i>							
1 X 200ml	200	64.99	23.60	36.3%	324.95	117.99	755.70
1 X 500ml	500	139.99	58.99	42.1%	279.98	117.99	651.12
1 X 750ml	750	174.99	88.49	50.6%	233.32	117.99	542.60
12 X 750ml	9000	2036.99	1061.89	52.1%	226.33	117.99	526.35
1 X 1L	1000	229.99	117.99	51.3%	229.99	117.99	534.86
12 X 1L	12000	2735.49	1415.85	51.8%	227.96	117.99	530.13
<i>Old Buck Gin (43%)</i>							
1 X 200ml	200	69.99	23.60	33.7%	349.95	117.99	813.84
1 X 375ml	375	119.99	44.25	36.9%	319.97	117.99	744.12
1 X 750ml	750	164.99	88.49	53.6%	219.99	117.99	511.60
<i>Smirnoff Vodka watermelon and mint (30%)</i>							
1 X 750ml	750	174.99	61.74	35.3%	233.32	82.32	777.73
12 X 750ml	9000	2095.49	740.85	35.4%	232.83	82.32	776.11

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

Still light grape wine

The most popular still light grape wines are 4th Street, Paarl Perle, and Drostdy-Hof, which collectively account for 33.7% of total wine volume. The most cost-effective way to drink pure alcohol in the form of wine (or any of the drink types) is to purchase 6 X 2 L bottles of Paarl Perle (R286/L of pure alcohol) (Table 18). The most expensive packaging type is single 750ml bottles. The cost per litre of pure alcohol is R833.17 when buying a 750ml bottle of 4th Street, and R977.60 when buying a 750ml of Drostdy-Hof.

Table 18 | Still light grape wine (excise tax of R5.57 per litre of beverage)

	Total ml	Retail price on 4 March 2024	Excise tax	Excise tax share of retail price	Retail price per litre of beverage	Excise tax per litre	Cost per litre of pure alcohol
<i>4th Street Sweet White (8%)</i>							
1 X 750ml (bottle)	750	49.99	4.18	8.4%	66.65	5.57	833.17
1 X 3L (box)	3000	144.99	16.71	11.5%	48.33	5.57	604.13
6 X 3L (boxes)	18000	750	100.26	13.4%	41.67	5.57	520.83
1 X 5L (box)	5000	164.99	27.85	16.9%	33.00	5.57	412.48
4 X 5L (boxes)	20000	680	111.40	16.4%	34.00	5.57	425.00
<i>Paarl Perle (11.5%)</i>							
1L (bottle)	1000	39.99	5.57	13.9%	39.99	5.57	347.74
12 X 1L (bottles)	12000	446.76	66.84	15.0%	37.23	5.57	323.74
1 X 2L (bottle)	2000	69.99	11.14	15.9%	35.00	5.57	304.30
6 X 2L (bottles)	12000	394.68	66.84	16.9%	32.89	5.57	286.00
<i>Drostdy-Hof Extra Light White (8.5%)</i>							
1 x 750ml	750	54.99	4.18	7.6%	73.32	5.57	862.59
1 X 3L (box)	3000	149.99	16.71	11.1%	50.00	5.57	588.20
6 X 3L (boxes)	18000	870	100.26	11.5%	48.33	5.57	568.63
1 X 5L (boxes)	5000	189.99	27.85	14.7%	38.00	5.57	447.04
4 X 5L (boxes)	20000	720	111.40	15.5%	36.00	5.57	423.53

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

The cells highlighted in green show the beverages that meet National Treasury's guideline excise tax burdens for wine, beer, and spirits, which are currently 11%, 23%, and 36%, respectively, of the weighted average retail price.^{viii} The denominator is the retail price. A small denominator will yield a large tax share; a large denominator will yield a small tax share. Take the example of a litre of beer with 5% alcohol from Table 13. The excise tax in 2024/25 is R6.79 (R135.89*0.05). To meet the 23% excise tax burden target, the retail price of 1L of beer needs to be R29.54 or less (R6.79/0.23). Any amount above R29.54 will result in an excise tax burden less than 23%. The guideline excise tax burden is a seemingly contradictory measure:

- On the one hand, we want a high excise tax burden, which is generally met if the retail price – the denominator – is low. If the litre of beer is R20 instead of R29.54, the excise tax burden will be high, at 34% (R6.79/R20) rather than 23% (R6.79/R29.54)
- On the other hand, we want retail prices to be high so that drinks are less affordable. But a high retail price – the denominator – results in a low excise tax burden. If the litre of beer now costs R40, then the excise tax burden is 17% (R6.79/R40). Here, the

^{viii} Tables 14 to 18 look at only a small sample of the prices on which the average price is being based. It is possible that the prices that are not captured in Table 14 to 18 are much lower than the prices captured, and that if we included these 'unseen' prices, the average is about right (and more cells would be in green).

tax burden is below the target, and the retail price is higher than the implied average price on which the target is based.

Is it better for beer to cost R20 (high excise tax burden) or R40 (low excise tax burden)? From a public health perspective, the latter is better, even though the tax burden percentage is not met.

National Treasury calculates the specific tax amount as a percentage of an ‘average price’, which is very shaky empirically. How do we know that the average price of beer is X and not something higher than X? The alcohol industry has an incentive to make the recorded/official X as low as possible. For this reason, the alcohol industry challenges companies who calculate the average prices of beverages.^{ix}

From a practical point of view, National Treasury is in a quandary because it has set the excise tax as a percentage of an average price over many brands, packaging types, and provinces. For cigarettes it is much easier. There they set the target in terms of one dominant brand (Peter Stuyvesant). This cannot be done for alcohol, given product heterogeneity, especially for spirits and wine. For the tax regime to be independent from the alcohol industry’s pricing actions, excise taxes need to be set in terms of an amount per unit of AA, not in terms of a percentage of the retail price.

11. EXCISE REVENUE

In National Treasury’s publicly available national accounts, the excise revenue estimates published by National Treasury on alcohol beverages have four aggregated categories, namely, (1) sorghum beer and sorghum powder, (2) beer, (3) wine and other fermented beverages, and (4) spirits.⁸⁷ These data allow an overview analysis only (next two pages), but no analysis by sub-category is possible using publicly available data.

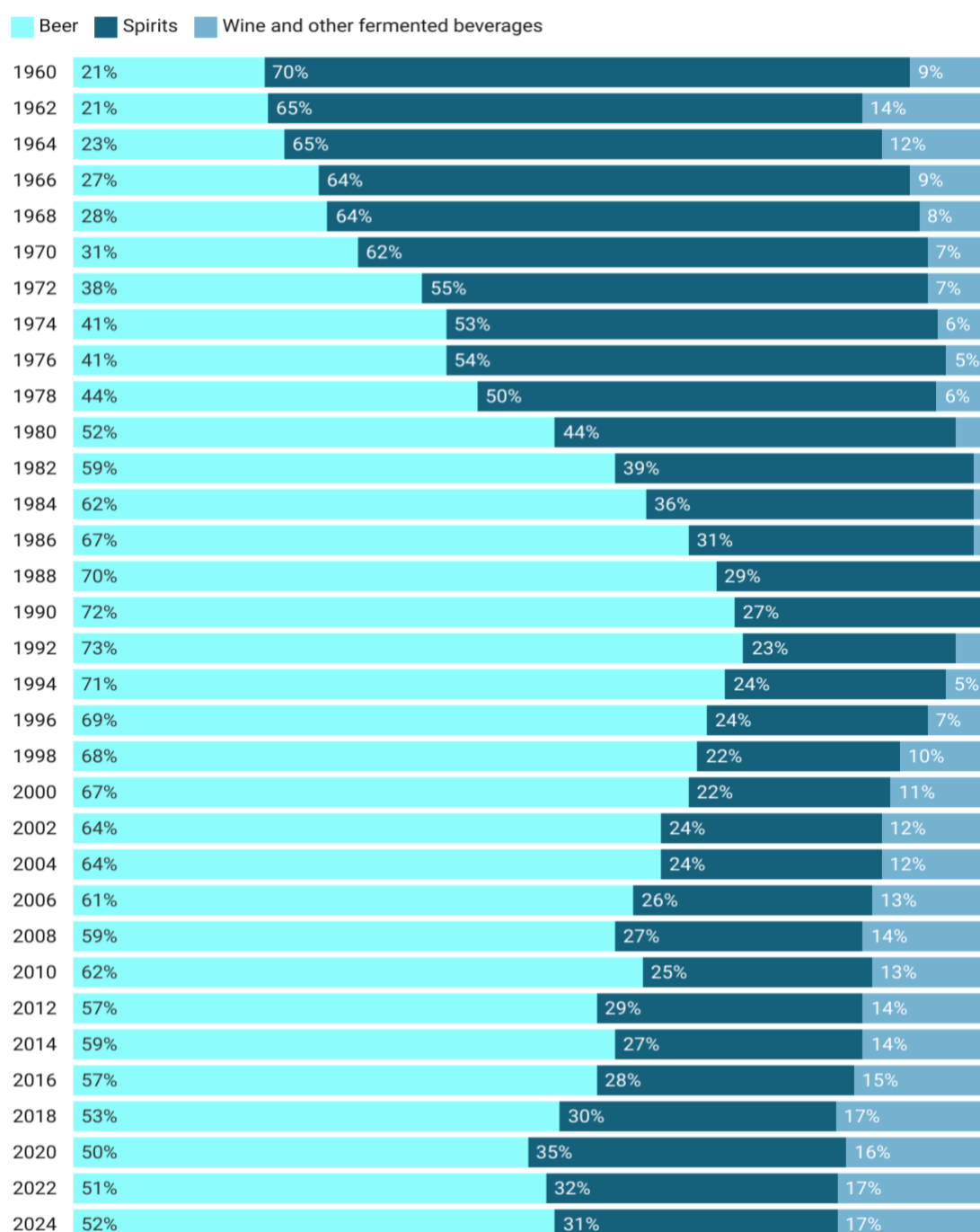
About half of excise taxes from alcohol are from beer sales (51% in 2022/23), compared to spirits (33%) and wine and OFBs (16%) (Figure 33). Sorghum beer, taxed at very low rates, is excluded as the revenue from this category is negligible (<1.4% in all years since 1992 when taxes were first applied to sorghum beer, and <0.1% since 2013). Excise revenue from alcohol (R41.5 billion) accounted for 2.5% of total tax revenue in 2022/23.

Since 1992, the share of revenue from ‘wine and other fermented beverages’ has increased rapidly while the share of revenue from beer has decreased. The increase in the share of spirits since the early 1990s is slow but very consistent. This is the result of a combination of an increase in the excise tax per litre of AA and a modest relative increase in the share of spirits in total AA consumed. Excise revenue from ‘sorghum beer and sorghum powder’ (categorised together in Budget Reviews) is excluded because the revenue is relatively negligible. Excise revenue from sorghum beer and sorghum beer powder has always been a fraction of that of malt beer. For example, in 1992, excise revenue

^{ix} Conversation with a former beer-producer employee.

from sorghum beer and sorghum flour was 1% of malt beer's revenue. In 2022, excise revenue from sorghum beer and sorghum flour was only 0.02% of malt beer revenue.

Figure 33 | Excise revenue from alcohol by category (percentage of total alcohol revenue)



Notes: The 'sorghum beer and sorghum flour' category is excluded because it negligible.

Source: Various Budget Reviews published by the Republic of South Africa: National Treasury • Created with Datawrapper

Each of the four categories, namely (1) sorghum beer and sorghum powder, (2) beer, (3) wine and other fermented beverages, and (4) spirits has sub-categories, for example, the second category for wine is subdivided into natural wine, fortified wine, sparkling wine, ciders, perry, fruit-based alcoholic beverages, etc., while 'spirits' is subdivided into brandy, whisky, rum, cane, vodka and more.

Disaggregated sub-category revenue data are available from the National Treasury Secure Data Facility (NT-SDF), a secured lab hosted by National Treasury in Pretoria. The secure data facility is an initiative of the United Nations University – World Institute for Development Economics Research (UNU-WIDER) and National Treasury. Access to the lab requires permission from the lab’s staff, and their decision is based on the merits of a submitted research proposal.

UNU-WIDER extracts the data from SARS databases. The data are then anonymised and cleaned for any errors. The data cover the period from 2014 to 2023. Each tax year contains an average of 15,000 observations, totalling over 150,000 observations. This report only uses data from 2015 to 2023, owing to incomplete records in 2014. The excise revenue data are based on the SARS excise forms. The DA 260 forms provide information on the type of product and manufacturing warehouse where production or movement of the product takes place (see appendix). The payable duty is assessed by the licensed manufacturer monthly and submitted to SARS via e-filing.

The excise revenue data consist of the tax levied on alcoholic products only if produced within the Southern African Customs Union (SACU) for local consumption. The data presented below do not include alcohol produced in SACU to be exported (because no excise is applied to exported alcohol), nor do they include excise taxes paid on imported excisable products (because excise taxes paid on imported excisable products are under budget line ‘Miscellaneous customs and excise receipts’, which was not analysed).

All alcoholic beverages

The dutiable quantity data for all alcoholic beverages from the secure lab data compare well with the quantities derived from the revenue in the Budget Reviews. Since we later report on disaggregated data from the secure lab, we use the data from the secure lab to describe the aggregated data (Table 19). The dutiable quantity for alcoholic beverages is derived in two steps. The first step is to divide the excise revenue by the respective excise tax to get the volume of absolute alcohol. Secondly, the volume of absolute alcohol is divided by the percentage of alcohol by volume (ABV). Beer and other OFBs are assumed, on average, to have 5% of absolute alcohol per litre while spirits are assumed to have an average of 43% of absolute alcohol per litre. For example, in the 2018/2019 tax year, the nominal excise revenue from beer was R13.89 billion and the excise tax was R95.03/L of AA, which resulted in 146.20 million litres of AA (R13.89 billion/R95.03). Therefore the volume of beer in 2018/2019 was 2 924 million litres of beverage (146.20 million/0.05 (average % of AA in beer)).

Dutiable quantities across all alcoholic beverages increased over time, with beer increasing from 2.9 billion litres of beverage in 2014/15 to 3.5 billion litres of beverage in 2022/23, a 20% increase. Wine and other fermented beverages (OFBs) increased from 723 million litres of beverage in 2014/15 to 1.2 billion litres of beverage in 2022/23, a 65% increase. The dutiable quantity of spirits increased by 57% from 2014/15 to 2022/23, from 79.3 million litres of beverage to 124.4 million litres of beverage. The last three ‘match rate’ columns compare the quantities from the secure lab to the quantities derived from the Budget Reviews.

Table 19 | Dutiable quantity for alcoholic beverages, in million litres of beverage

Year	Quantity from secure lab			Quantity from Budget Reviews			Match rates		
	Beer	Wine and OFB	Spirits	Beer	Wine and OFB	Spirits	Beer	Wine & OFB	Spirits
2014/15	2 914	722,6	79,3	2 953	682,1	79,1	98.7%	105.9%	100.3%
2015/16	2 971	789,7	85,0	2 980	791,2	82,8	99.7%	99.8%	102.7%
2016/17	2 997	823,1	88,2	2 956	800,6	84,3	101.4%	102.8%	104.6%
2017/18	3 024	910,8	84,1	3 050	875,3	85,5	99.2%	104.0%	98.3%
2018/19	2 924	903,9	100,2	2 900	942,2	94,9	100.8%	95.9%	105.5%
2019/20	3 029	942,3	104,0	3 042	894,7	102,5	99.6%	105.3%	101.5%
2020/21	2 245	683,5	89,5	2 068	646,8	83,4	108.6%	105.7%	107.4%
2021/22	3 165	1 032	114,3	3 469	1 062	114,3	91.2%	97.2%	100.1%
2022/23	3 506	1 193	124,4	3 520	1 134	125,0	99.6%	105.2%	99.6%

Source: National Treasury and UNU-WIDER. Excise alcohol and tobacco data 2015-2023. Version 5.0. National Treasury's Annual Budgets, available at <https://www.treasury.gov.za/documents/national%20budget/default.aspx> • Created with Datawrapper

The data from the secure lab reveal a consistent upward trend in real excise revenue across all alcoholic categories over time, with the exception of 2020 (which was affected by multiple alcohol sales restrictions). The real excise revenue (in 2021 prices) from beer has increased from R14 billion in 2014/15 to R19.8 billion in 2022/23 (an increase of 41.4%) (Table 20). Over the same period, the real excise revenue increased from R3.3 billion to R6.5 billion (94.9% increase) for wine and OFB and from R6.6 billion to R12.0 billion (81.8% increase) for spirits.

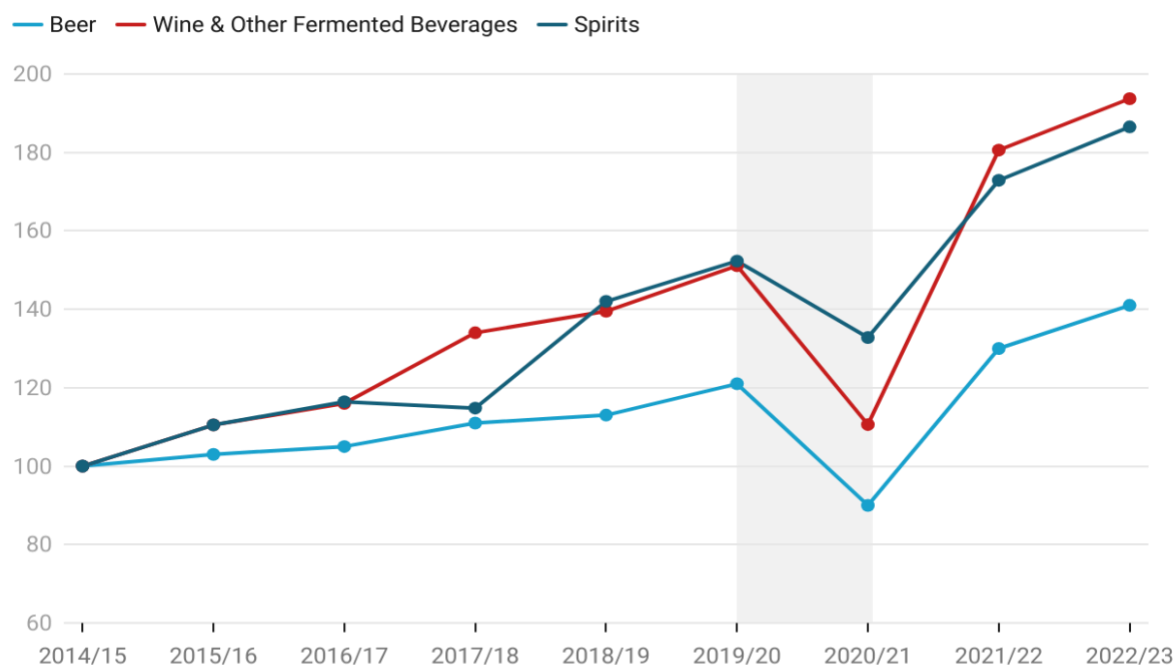
Table 20 | Real excise revenue from alcoholic beverages (in billions), secure lab data, 2021 prices

Year	Beer			Wine & OFB			Spirits		
	Revenue	YoY change	2015=100	Revenue	YoY change	2015=100	Revenue	YoY change	2015=100
2014/15	R14,00		100.0	R3,32		100.0	R6,59		100.0
2015/16	R14,39	2,8%	102.8	R3,69	11,0%	111.0	R7,23	9,6%	109.6
2016/17	R14,77	2,6%	105.5	R3,87	5,1%	116.7	R7,43	2,8%	112.7
2017/18	R15,50	4,9%	110.7	R4,47	15,5%	134.8	R7,24	-2,6%	109.8
2018/19	R15,77	1,8%	112.6	R4,66	4,1%	140.3	R9,01	24,5%	136.7
2019/20	R16,88	7,0%	120.5	R5,05	8,4%	152.1	R9,69	7,5%	146.9
2020/21	R12,67	-24,9%	90.5	R3,69	-26,8%	111.3	R8,68	-10,4%	131.6
2021/22	R18,21	43,7%	130.0	R5,70	54,2%	171.7	R11,31	30,4%	171.6
2022/23	R19,80	8,7%	141.4	R6,47	13,6%	195.0	R11,98	5,9%	181.7

Source: National Treasury and UNU-WIDER. Excise alcohol and tobacco data 2015-2023. Version 5.0. National Treasury's Annual Budgets, available at <https://www.treasury.gov.za/documents/national%20budget/default.aspx> • Created with Datawrapper

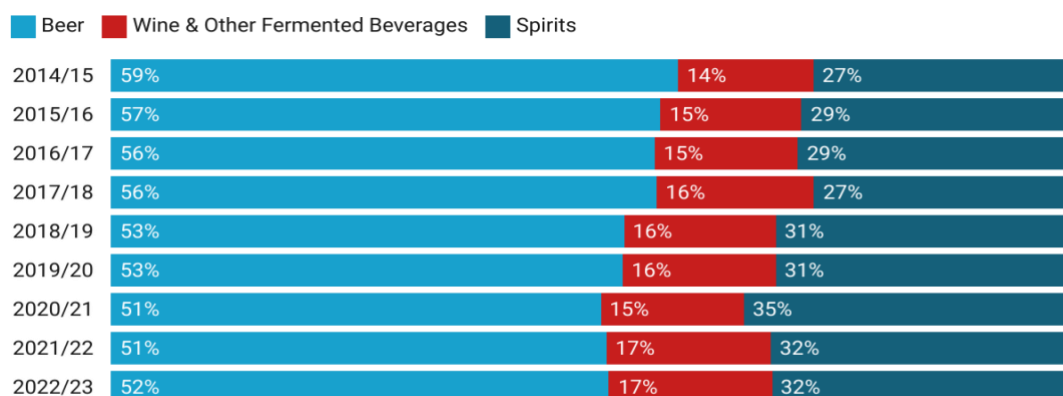
The data from Table 20 is presented graphically in Figure 34. Following the COVID-19 period, the growth rate in real excise revenue from all alcoholic beverages accelerated, surpassing the pre-COVID peaks of 2019/20. These growth rates in excise revenue have led to changes in the contribution shares of alcoholic beverages in excise revenue, shown in Figure 34.

Figure 34 | Trends in real excise revenue from alcoholic beverages, 2015=100



Source: National Treasury and UNU-WIDER. Excise alcohol and tobacco data 2015-2023. Version 5.0. National Treasury's Annual Budgets, available at <https://www.treasury.gov.za/documents/national%20budget/default.aspx> • Created with Datawrapper

The contribution shares in excise revenue of the different alcoholic beverages have changed over time, albeit marginally (Figure 35). From 2014/15 to 2022/23, the share of excise revenue from beer declined from 59% to 52%. The share in excise revenue from wine and OFBs increased between from 14% in 2014/15 to 17% in 2022/23. As for spirits, the growth in excise revenue resulted in an increased contribution share from 27% in 2014/15 to a peak of 35% in 2020/21, decreasing to 32% in the two following periods.

Figure 35 | Shares in real excise revenue for alcoholic beverages

Source: National Treasury and UNU-WIDER. Excise alcohol and tobacco data 2015-2023. Version 5.0. National Treasury's Annual Budgets, available at <https://www.treasury.gov.za/documents/national%20budget/default.aspx> • Created with Datawrapper

Wine and Other Fermented Beverages (OFBs)

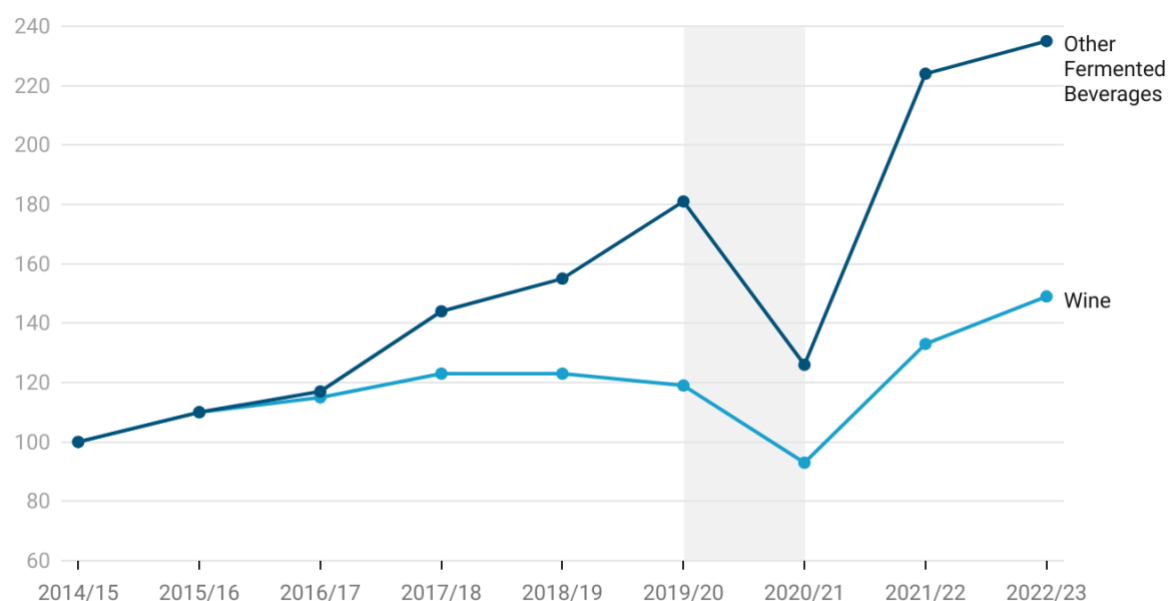
The excise revenues for wine and other fermented beverages are grouped together in the Budget Reviews. Using data from the secure lab, we examine each component separately to highlight their individual share to the total excise revenue for this budget line (first four columns of Table 21 and Figure 36). In Table 21 below, the real excise revenue from wine increased from R1.60 billion in 2014/15 to R2.39 billion in 2022/23 (49% increase). Real excise revenue from OFBs increased from R1.72 billion in 2014/15 to R4.08 billion in 2022/23. The real excise revenue for wine and OFBs from the secure lab (column a) compares closely to the real excise revenue from the Budget Reviews (column b), shown by the 'match rate' column of Table 21.

Table 21 | Real excise revenue from wine and OFBs (in billions), 2021 prices

Year	Wine		OFB		Wine & OFB (a)	Budget Review (b)	Match rate (a)/(b)
	Revenue	2015=100	Revenue	2015=100	Revenue	Revenue	%
2014/15	R1,60	100,0%	R1,72	100,0%	R3,32	R3,29	100.8%
2015/16	R1,76	110,1%	R1,90	110,7%	R3,66	R3,84	95.3%
2016/17	R1,84	114,8%	R2,03	118,2%	R3,86	R3,93	98.2%
2017/18	R1,97	123,0%	R2,49	145,4%	R4,46	R4,47	99.7%
2018/19	R1,96	122,6%	R2,68	156,5%	R4,65	R5,05	91.9%
2019/20	R1,90	118,6%	R3,14	183,0%	R5,04	R4,99	100.9%
2020/21	R1,50	93,5%	R2,19	127,6%	R3,68	R3,65	101.0%
2021/22	R2,13	133,3%	R3,56	207,5%	R5,69	R6,11	93.1%
2022/23	R2,39	149,1%	R4,08	237,8%	R6,47	R6,44	100.4%

Source: National Treasury and UNU-WIDER. Excise alcohol and tobacco data 2015-2023. Version 5.0. National Treasury's Annual Budgets, available at <https://www.treasury.gov.za/documents/national%20budget/default.aspx> • Created with Datawrapper

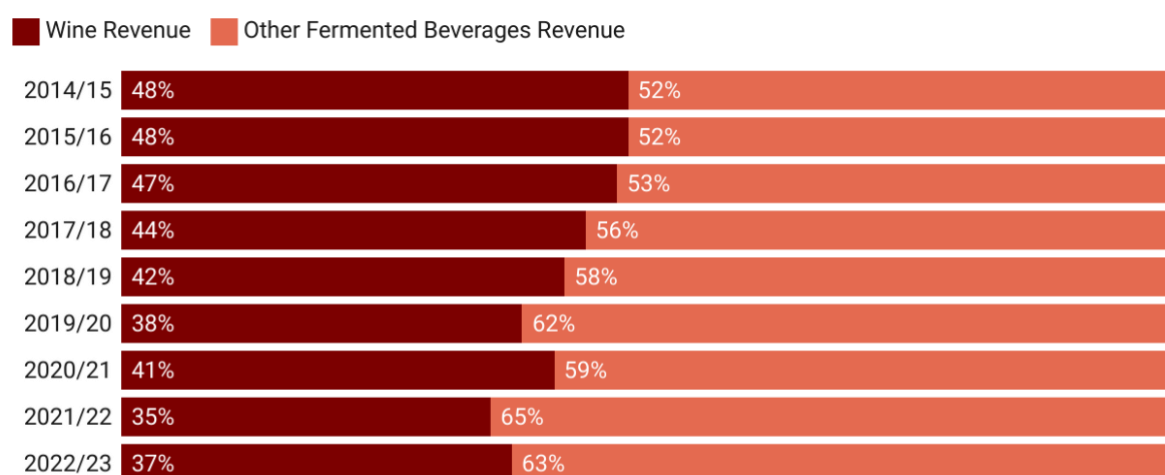
Figure 36 | Trends in real excise revenue for wine and OFBs, 2015=100



Source: National Treasury and UNU-WIDER. Excise alcohol and tobacco data 2015-2023. Version 5.0. National Treasury's Annual Budgets, available at <https://www.treasury.gov.za/documents/national%20budget/default.aspx> • Created with Datawrapper

The budget line for wine and OFBs is broken down by excise revenue contribution shares for each product. The rapid growth in real excise revenue from OFBs has resulted in the contribution share from OFBs increasing from 52% in 2014/15 to 63% in 2022/23 (Figure 37). Conversely, the excise revenue contribution shares from wine has declined from 48% to 37% over the same period.

Figure 37 | Shares in real excise revenue for wine and OFBs



Source: National Treasury and UNU-WIDER. Excise alcohol and tobacco data 2015-2023. Version 5.0. National Treasury's Annual Budgets, available at <https://www.treasury.gov.za/documents/national%20budget/default.aspx> • Created with Datawrapper

Wine

The dutiable quantity (derived from excise revenue) for all types of wine (unfortified, fortified, and sparkling) increased over time. For unfortified wine, the dutiable quantity increased from 335.9 million litres in 2014/15 to 431.4 million litres in 2022/23, a 28% increase (Table 22). Fortified wine's quantity increased by 22%, from 22.5 million litres of beverage in 2014/15 to 27.4 million litres of beverage in 2022/23. Sparkling wine recorded a 64% increase in quantity over the same period, from 7.3 million litres of beverage in 2014/15 to 12 million litres of beverage in 2022/23.

Table 22 | Dutiable quantity for different types of wine, in million litres of beverage

Year	Quantity derived from secure lab revenue				Quantity (derived from budget reviews)	Match Rate (a)/(b)
	Unfortified Wine	Fortified Wine	Sparkling Wine	Total Wine (a)	Total Wine (b)	
2014/15	335,9	22,5	7,3	365,7	325,6	112.3%
2015/16	365,9	24,6	7,3	397,8	378,9	105.0%
2016/17	380,5	23,3	7,7	411,5	380,8	108.1%
2017/18	391,1	24,5	8,3	424,0	386,5	109.7%
2018/19	372,0	25,5	8,6	406,1	400,1	101.5%
2019/20	348,2	21,1	9,4	378,8	335,7	112.8%
2020/21	272,9	16,1	6,7	295,7	262,6	112.6%
2021/22	381,3	22,2	9,7	413,3	375,3	110.1%
2022/23	431,4	27,4	12,0	470,7	414,8	113.5%

Source: National Treasury and UNU-WIDER. Excise alcohol and tobacco data 2015-2023. Version 5.0. National Treasury's Annual Budgets, available at <https://www.treasury.gov.za/documents/national%20budget/default.aspx> • Created with Datawrapper

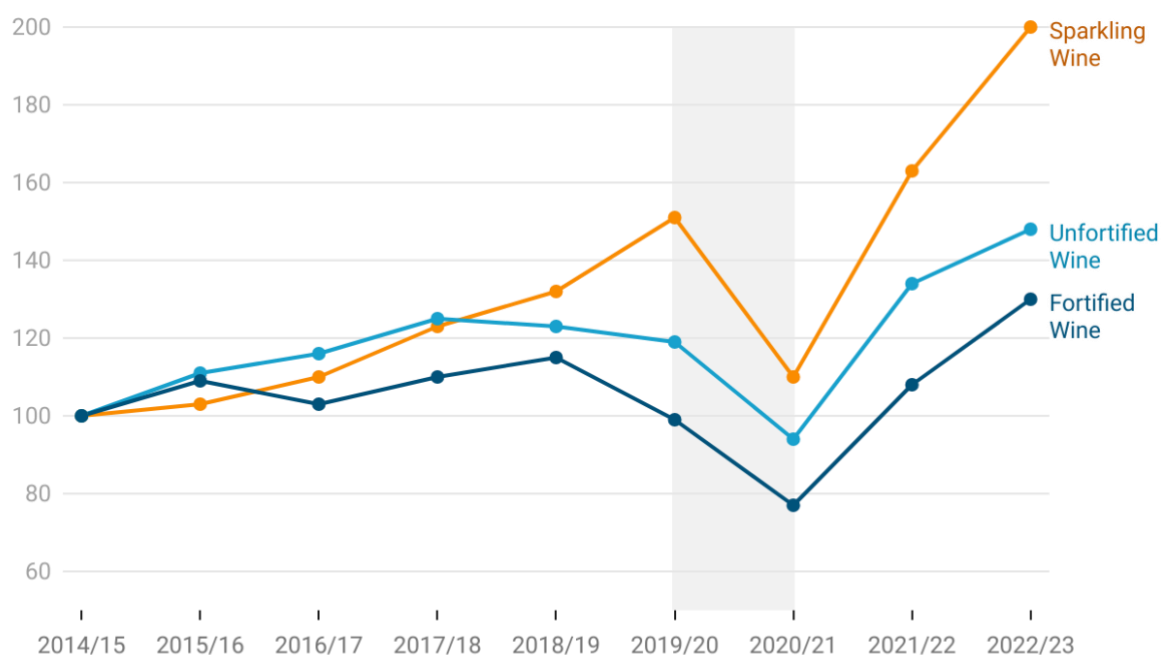
In Table 23 below, trends in excise revenue are disaggregated for unfortified, fortified, and sparkling wine. Real excise revenue collected from wine comes largely from unfortified wine, followed by fortified wine, and then sparkling wine. Real excise revenue from unfortified wine increased from R1.34 billion in 2014/15 to R1.99 billion in 2022/23, a 48% increase. Real excise revenue from fortified wine increased by 30% (R160 million to R210 million), and by 99% (R90 million to R180 million) for sparkling wine, over the same period. Real excise revenue from all types of wine has surpassed pre-COVID levels, as shown in Figure 38.

Table 23 | Real excise revenue from type of wines (in billions), 2021 prices

Year	Unfortified Wine		Fortified Wine		Sparkling Wine	
	Revenue	2015=100	Revenue	2015=100	Revenue	2015=100
2014/15	R1,34	100,0	R0,16	100,0	R0,09	100,0
2015/16	R1,49	110,8	R0,18	108,9	R0,09	103,1
2016/17	R1,57	116,5	R0,17	103,1	R0,10	109,9
2017/18	R1,67	124,6	R0,18	109,7	R0,11	122,8
2018/19	R1,65	122,8	R0,19	115,5	R0,12	132,1
2019/20	R1,60	118,7	R0,16	99,0	R0,14	151,4
2020/21	R1,27	94,4	R0,13	76,6	R0,10	110,2
2021/22	R1,81	134,4	R0,18	107,6	R0,15	163,1
2022/23	R1,99	148,0	R0,21	130,0	R0,18	199,6

Source: National Treasury and UNU-WIDER. Excise alcohol and tobacco data 2015-2023. Version 5.0. National Treasury's Annual Budgets, available at <https://www.treasury.gov.za/documents/national%20budget/default.aspx> • Created with Datawrapper

Figure 38 | Trends in real excise revenue for different types of wine, 2015=100



Source: National Treasury and UNU-WIDER. Excise alcohol and tobacco data 2015-2023. Version 5.0. National Treasury's Annual Budgets, available at <https://www.treasury.gov.za/documents/national%20budget/default.aspx> • Created with Datawrapper

Real excise revenue from unfortified wine accounts for at least 83% of excise revenue from all wine (Figure 39). Real excise revenue from both fortified wine and sparkling wine remained roughly stable from 2014/15 to 2022/23, with fortified wine contributing between 8% and 10% and sparkling wine contributing between 6% and 8% of the total wine excise revenue.

Figure 39 | Shares in excise revenue for different types of wine



Source: National Treasury and UNU-WIDER. Excise alcohol and tobacco data 2015-2023. Version 5.0. National Treasury's Annual Budgets, available at <https://www.treasury.gov.za/documents/national%20budget/default.aspx> • Created with Datawrapper

Other Fermented Beverages (OFBs)

There are a total of 11 distinct beverages within this category (Table 24). Among these, there are 4 primary industry leaders:

- UAPB – *Unfortified, Apple or Pear, alcohol strength between 2.5% and 15% (e.g. Savanna, Hunter’s Gold).*
- OMNM – *Unfortified, mixtures of non-malted cereal grains, alcohol strength between 2.5% and 9%.*
- UOFB – *Unfortified, mixtures from fruit or honey (mead), alcohol strength between 2.5% and 15%.*
- UMOB – *Unfortified, other mixtures from fruit or mead, alcohol strength between 2.5% and 15%.*

The remaining 7 types of beverages are grouped together as ‘Other OFBs’.

Table 24 | Definitions of Other Fermented Beverages (OFBs)

Product Code	Traffic Code	Description
UAPB	2206.00.81	Other fermented apple or pear beverages, unfortified, with an alcoholic strength of at least 2.5 per cent by volume but not exceeding 15 per cent by vol
OOFB	2206.00.90	Other
UOFB	2206.00.82	Other fermented fruit beverages and mead beverages, including mixtures of fermented beverages derived from the fermentation of fruit or honey, unfortified, with an alcoholic strength of at least 2.5 per cent by volume but not exceeding 15 per cent by vol.
OMNM	2206.00.21	Other mixtures of fermented beverages of non-malted cereal grains and non-alcoholic beverages, unfortified, with an alcoholic strength of at least 2.5 per cent by volume but not exceeding 9 per cent by vol.
UMOB	2206.00.85	Other mixtures of fermented fruit or mead beverages and nonalcoholic beverages, unfortified, with an alcoholic strength of at least 2.5 per cent by volume but not exceeding 15 per cent by vol
OFBP	2206.00.17	Other fermented beverages, unfortified, with an alcoholic strength of less than 2.5 per cent by volume
OFNM	2206.00.19	Other fermented beverages of non-malted cereal grains, unfortified, with an alcoholic strength of at least 2.5 per cent by volume but not exceeding 9 per cent by vol.
FAPB	2206.00.83	Other fermented beverages, fortified, with an alcoholic strength by volume exceeding 15 per cent vol. but not exceeding 23 per cent vol.
FOFB	2206.00.84	Other fermented fruit beverages and mead beverages including mixtures of fermented beverages derived from the fermentation of fruit or honey, fortified, with an alcoholic strength of at least 15 per cent by volume but not exceeding 23 per cent by vol.
FMOB	2206.00.87	Other, mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages, with an alcoholic strength by volume exceeding 9 per cent vol. but not exceeding 15 per cent vol.
SFOB	2206.00.05	Sparkling fermented fruit or mead beverages; mixtures of sparkling fermented beverages derived from the fermentation of fruit or honey; mixtures of sparkling fermented fruit or mead beverages and non-alcoholic beverages

Source: National Treasury's Annual Budgets, available at <https://www.treasury.gov.za/documents/national%20budget/default.aspx> • Created with Datawrapper

The dutiable quantity from UAPB (e.g. Savanna) increased from 283.4 million litres of beverage in 2014/15 to 457 million litres of beverage in 2022/23, a 60% increase (Table 25). From 2016/17 to 2022/23, the dutiable quantity for OMNM increased by 263%, from 38.4 million litres of beverage to 139 million litres of beverage. The dutiable quantity for UOFB

increased from 6.5 million litres of beverage in 2021/15 to 72 million litres of beverage in 2022/23, a 1000% increase. Similarly, the dutiable quantity for UMOB increased by 457% from 2014/15 to 2022/23, from 6.8 million litres of beverage to 38 million litres of beverage. The dutiable quantity for other fermented beverages, grouped as 'Other OFBs', decreased from 60 million litres of beverage in 2014/15 to 16 million litres of beverage in 2022/23.

Table 25 | Dutiable quantity of OFBs, in million litres of beverage

Year	Quantity derived from secure lab revenue					Quantity (derived from Budget Reviews)	Match Rate (a)/(b)
	UAPB	OMNM	UOFB	UMOB	Other OFBs	Total (a)	Total (b)
2014/15	283,4		6,5	6,8	60,2	356,9	356.5
2015/16	308,2		3,7	9,0	71,0	391,9	412.3
2016/17	301,7	38,4	10,5	14,8	46,1	411,5	419.8
2017/18	325,1	51,8	36,7	19,9	53,3	486,7	488.9
2018/19	315,9	73,8	64,2	31,9	12,0	497,8	542.1
2019/20	309,3	117,7	92,5	42,9	1,1	563,5	559.0
2020/21	233,1	81,6	32,5	31,4	9,1	387,8	384.2
2021/22	372,7	126,7	63,7	37,9	17,6	618,6	686.6
2022/23	456,6	139,4	71,7	39,2	15,6	722,6	719.7

UAPB : Other fermented apple or pear beverages, unfortified, with 2.5 - 15% ABV.

OMNM : Other mixtures of fermented beverages of non-malted cereal grains and non-alcoholic beverages, unfortified, with 2.5 - 9% ABV.

UOFB : Other fermented fruit beverages and mead beverages, including mixtures of fermented beverages derived from the fermentation of fruit or honey, unfortified, with 2.5 - 15% ABV.

UMOB : Other mixtures of fermented fruit or mead beverages and non-alcoholic beverages, unfortified, with 2.5 - 15% ABV.

Source: National Treasury and UNU-WIDER. Excise alcohol and tobacco data 2015-2023. Version 5.0. National Treasury's Annual Budgets, available at <https://www.treasury.gov.za/documents/national%20budget/default.aspx> • Created with Datawrapper

The real excise revenue from UAPB (e.g. Savanna) increased from 1.36 billion in 2014/15 to R2.58 billion in 2022/23, a 90% increase. Real excise revenue from OMNM increased from R190 million in 2016/17 to R790 million in 2022/23, a 300% increase. Real excise revenue from UOFB increased twelve-fold while real excise revenue from UMOB increased six-fold. UOFB's real excise revenue increased from R30 million to R410 million from 2014/15 to 2022/23. Over the same period, the real excise revenue from UMOB increased from R30 million to R220 million. Other smaller OFBs are grouped as 'Other OFBs'; the real excise revenue from this group of beverages declined from R290 million in 2014/15 to R90 million in 2022/23. The comparison between the excise revenue from the secure lab compares well with the excise revenue derived from the Budget reviews, shown by the 'match rate' (Table 26).

Table 26 | Real excise revenue from OFB (in billions), 2021 prices

Year	Revenue from secure lab					Total Revenue (a)	Revenue from Budget Reviews	Match Rate (a)/(b)
	UAPB	OMNM	UOFB	UMOB	Other OFBs		Revenue (b)	%
2014/15	R1,36		R0,03	R0,03	R0,29	R1,72	R1,71	100.0%
2015/16	R1,49		R0,02	R0,04	R0,34	R1,90	R2,00	95.0%
2016/17	R1,49	R0,19	R0,05	R0,07	R0,23	R2,03	R2,07	98.0%
2017/18	R1,67	R0,27	R0,19	R0,10	R0,27	R2,49	R2,50	100.0%
2018/19	R1,70	R0,40	R0,35	R0,17	R0,06	R2,68	R2,92	92.0%
2019/20	R1,72	R0,66	R0,52	R0,24	R0,01	R3,14	R3,11	101.0%
2020/21	R1,32	R0,46	R0,18	R0,18	R0,05	R2,19	R2,17	101.0%
2021/22	R2,14	R0,73	R0,37	R0,22	R0,10	R3,56	R3,95	90.0%
2022/23	R2,58	R0,79	R0,41	R0,22	R0,09	R4,08	R4,06	100.0%

UAPB : Other fermented apple or pear beverages, unfortified, with 2.5 - 15% ABV.

OMNM : Other mixtures of fermented beverages of non-malted cereal grains and non-alcoholic beverages, unfortified, with 2.5 - 9% ABV.

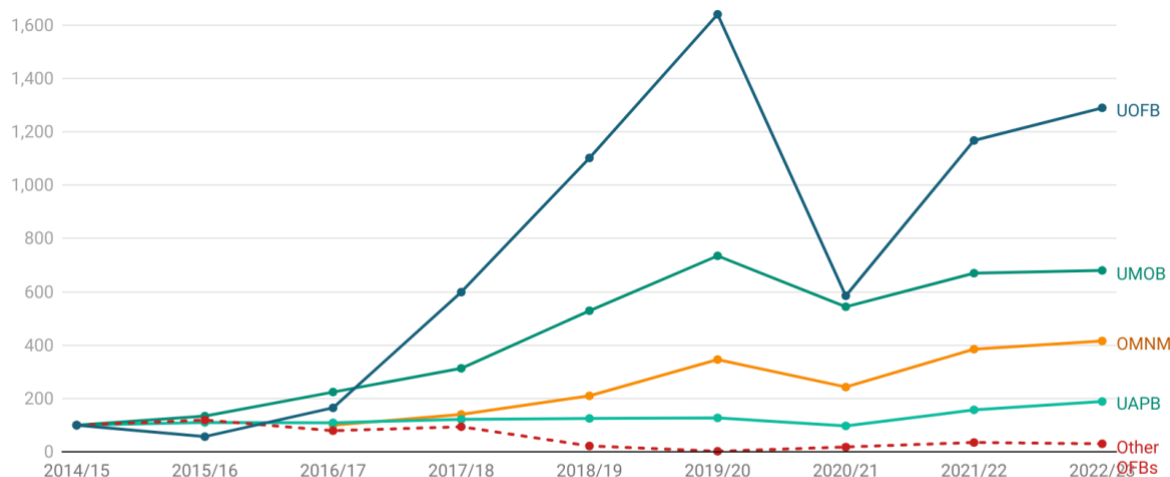
UOFB : Other fermented fruit beverages and mead beverages, including mixtures of fermented beverages derived from the fermentation of fruit or honey, unfortified, with 2.5 - 15% ABV.

UMOB : Other mixtures of fermented fruit or mead beverages and non-alcoholic beverages, unfortified, with 2.5 - 15% ABV.

Source: National Treasury and UNU-WIDER. Excise alcohol and tobacco data 2015-2023. Version 5.0. National Treasury's Annual Budgets, available at <https://www.treasury.gov.za/documents/national%20budget/default.aspx> • Created with Datawrapper

In Figure 40, we show the trends in real excise revenues from other fermented beverages. Real excise revenue from UOFB increased by more than 1000% from 2014/15 to 2022/23. Additionally, there was an increase to 680% in excise revenue from UMOB over the same period, while OMNM experienced a 300% increase, and the real excise revenue from UAPB (e.g. Savanna) increased by 90%. Conversely, excise revenue from 'Other OFBs' (smaller OFBs grouped together) declined between 2014/15 and 2022/23. The varying growth rates among different fermented beverages led to changes in market shares, which are shown in Figure 40.

Figure 40 | Trends in real excise revenue for OFBs, (2014/15=100)



UOFB : Other fermented fruit beverages and mead beverages, including mixtures of fermented beverages derived from the fermentation of fruit or honey, unfortified, with 2.5 - 15% ABV.

UMOB : Other mixtures of fermented fruit or mead beverages and non-alcoholic beverages, unfortified, with 2.5 - 15% ABV.

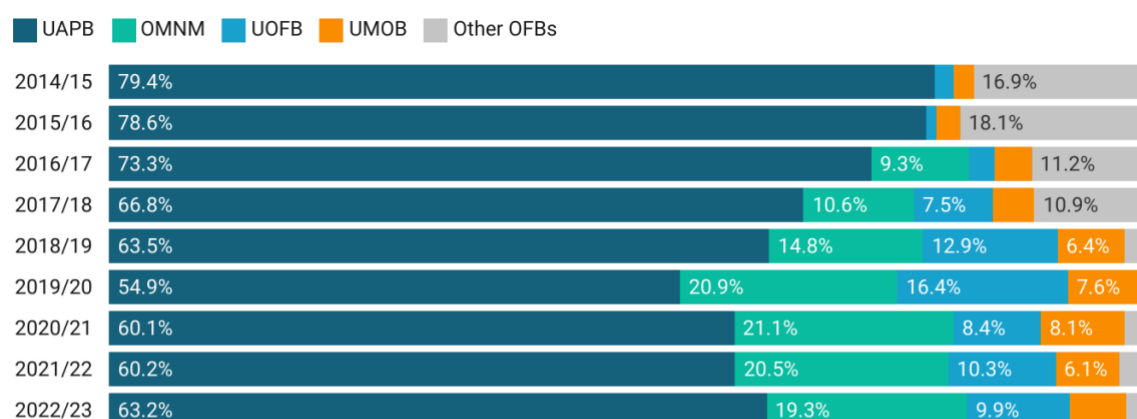
OMNM : Other mixtures of fermented beverages of non-malted cereal grains and non-alcoholic beverages, unfortified, with 2.5 - 9% ABV.

UAPB : Other fermented apple or pear beverages, unfortified, with 2.5 - 15% ABV.

Source: National Treasury and UNU-WIDER. Excise alcohol and tobacco data 2015-2023. Version 5.0. National Treasury's Annual Budgets, available at <https://www.treasury.gov.za/documents/national%20budget/default.aspx> • Created with Datawrapper

From 2014/15 to 2022/23, there were changes in the shares of excise revenue from fermented beverages, that is, a decline in the share of the market leaders (e.g. Savanna) and an increased contribution by other fermented beverages (Figure 41). From 2014/15 to 2022/23, the share of excise revenue from UAPB decreased from 79% in 2014/15 to 63% in 2022/23. The contribution of OMNM to the excise revenue increased from 9% in 2016/17 to a peak of 20% in 2019/20, then decreased to 19% in 2022/23. Similarly, the contribution of other unfortified fermented beverages (UOFB) to excise revenue increased from 2.5% in 2016/17 to a peak of 16% in 2019/20, then declined to 10% in 2022/23. Lastly, OMNM also experienced an increase in the contribution of excise revenue from 2% in 2014/15 to a peak of 8% in 2020/21, followed by a decline to 5% in 2022/23.

Figure 41 | Shares in excise revenue for OFBs



UAPB : Other fermented apple or pear beverages, unfortified, with 2.5 - 15% ABV.

OMNM : Other mixtures of fermented beverages of non-malted cereal grains and non-alcoholic beverages, unfortified, with 2.5 - 9% ABV.

UOFB : Other fermented fruit beverages and mead beverages, including mixtures of fermented beverages derived from the fermentation of fruit or honey, unfortified, with 2.5 - 15% ABV.

UMOB : Other mixtures of fermented fruit or mead beverages and non-alcoholic beverages, unfortified, with 2.5 - 15% ABV.

Source: National Treasury and UNU-WIDER. Excise alcohol and tobacco data 2015-2023. Version 5.0. National Treasury's Annual Budgets, available at <https://www.treasury.gov.za/documents/national%20budget/default.aspx> • Created with Datawrapper

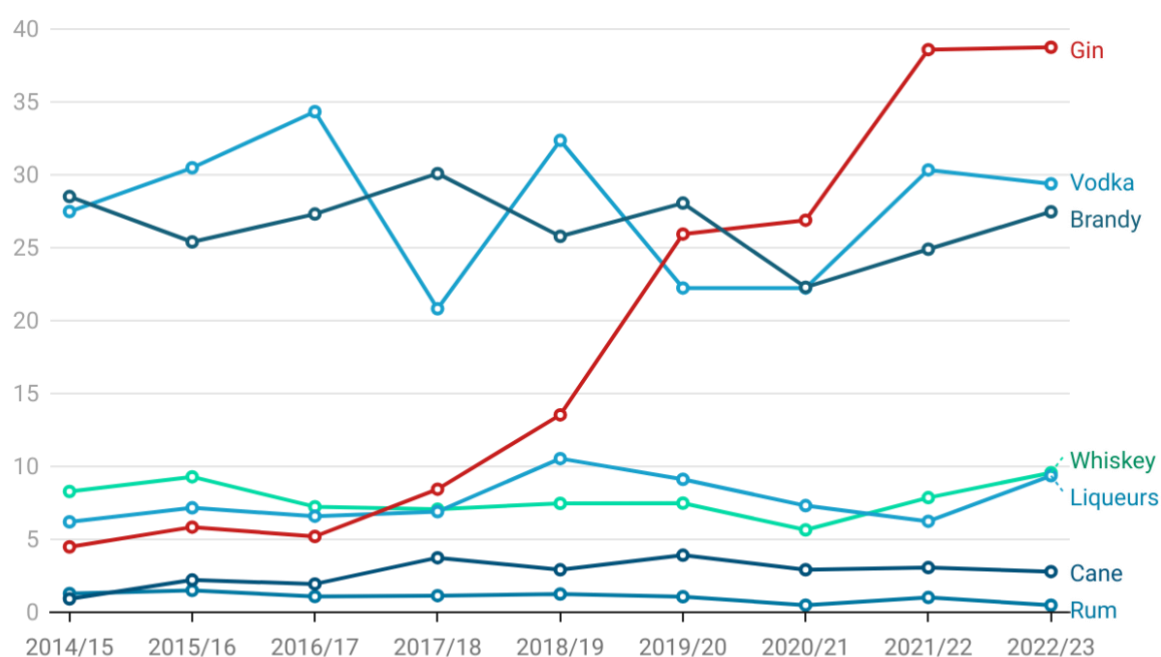
Spirits

Spirits are subdivided into 8 categories: brandy, vodka, whiskey, gin, cane, rum, liqueurs, and other (Table 27 and Figure 42). The dutiable quantity was derived from excise revenue, assuming that spirits contain, on average, 43% of absolute alcohol per litre. The dutiable quantity of all spirits remained relatively stable over time, with the exception of gin, which grew very rapidly, and, to a much lesser extent, cane. The dutiable quantity from vodka and brandy fluctuated between 22 million litres of beverage and 35 million litres of beverage from 2014/15 to 2022/23. The dutiable quantity of whiskey fluctuated between 7 million litres of beverage and 9 million litres of beverage over the same period. The dutiable quantity of gin increased from 4.48 million litres of beverage in 2014/15 to 38.7 million litres of beverage in 2022/23 (784% increase). The quantities of liqueurs, cane and rum are relatively low and have been subject to substantial year-on-year changes.

Table 27 | Dutiable quantity of spirits, in million litres of beverage

Year	Quantity from secure lab, derived from revenue								Total
	Vodka	Brandy	Whiskey	Gin	Liqueurs	Cane	Rum	Other	
2014/15	27,48	28,51	8,28	4,48	6,20	0,92	1,28	2,79	79,94
2015/16	30,48	25,40	9,29	5,84	7,16	2,21	1,50	3,05	84,93
2016/17	34,33	27,31	7,24	5,20	6,59	1,94	1,08	2,56	86,27
2017/18	20,82	30,09	7,07	8,44	6,90	3,74	1,14	2,88	81,07
2018/19	32,36	25,78	7,47	13,54	10,54	2,91	1,25	3,31	97,16
2019/20	22,24	28,06	7,48	25,94	9,12	3,91	1,07	3,32	101,15
2020/21	22,24	22,29	5,65	26,89	7,31	2,92	0,49	1,65	89,45
2021/22	30,34	24,90	7,86	38,59	6,24	3,06	1,01	2,37	114,38
2022/23	29,38	27,47	9,57	38,75	9,36	2,79	0,48	4,41	122,22

Source: National Treasury and UNU-WIDER. Excise alcohol and tobacco data 2015-2023. Version 5.0. National Treasury's Annual Budgets, available at <https://www.treasury.gov.za/documents/national%20budget/default.aspx> • Created with Datawrapper

Figure 42 | Dutiable quantity of spirits, in million litres of beverage

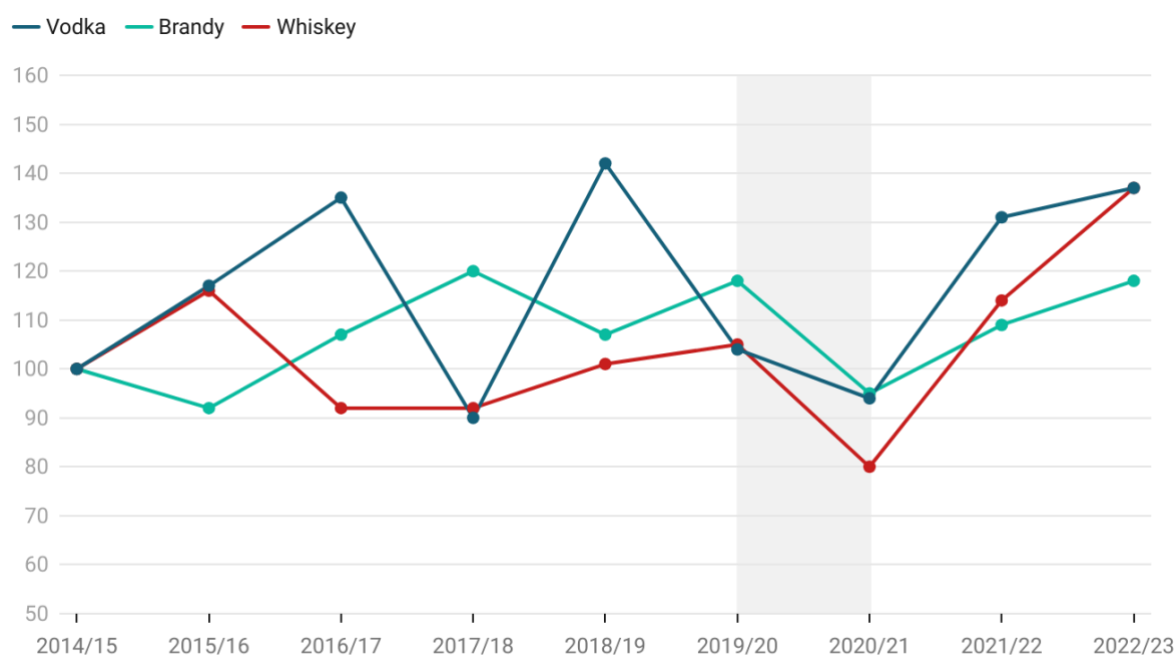
Source: National Treasury and UNU-WIDER. Excise alcohol and tobacco data 2015-2023. Version 5.0. National Treasury's Annual Budgets, available at <https://www.treasury.gov.za/documents/national%20budget/default.aspx> • Created with Datawrapper

The real excise revenue for traditional spirits (brandy, vodka, and whiskey) is presented in Table 28. From 2014/15 to 2022/23, real excise revenue from vodka increased by 27%, from brandy by 14% and from whiskey by 37%. Real excise revenue from vodka is more volatile compared to brandy and whiskey; this is shown by year-on-year changes in Figure 43.

Table 28 | Real excise revenue from traditional spirits (in billions), 2021 prices

Year	Vodka		Brandy		Whiskey	
	Revenue	2015=100	Revenue	2015=100	Revenue	2015=100
2014/15	R2,27	100.0	R2,35	100.0	R0,68	100.0
2015/16	R2,59	114.4	R2,16	91.9	R0,79	115.7
2016/17	R2,97	130.8	R2,34	99.6	R0,63	91.6
2017/18	R1,86	82.1	R2,68	114.0	R0,63	92.5
2018/19	R3,00	132.4	R2,39	101.5	R0,69	101.5
2019/20	R2,13	94.0	R2,68	114.1	R0,72	105.0
2020/21	R2,16	95.2	R2,16	91.8	R0,55	80.4
2021/22	R3,00	132.4	R2,46	104.5	R0,78	113.9
2022/23	R2,88	127.1	R2,69	114.3	R0,94	137.4

Source: National Treasury and UNU-WIDER. Excise alcohol and tobacco data 2015-2023. Version 5.0. National Treasury's Annual Budgets, available at <https://www.treasury.gov.za/documents/national%20budget/default.aspx> • Created with Datawrapper

Figure 43 | Trends in real excise revenue for vodka, brandy and whiskey, 2014/15=100

Source: National Treasury and UNU-WIDER. Excise alcohol and tobacco data 2015-2023. Version 5.0. National Treasury's Annual Budgets, available at <https://www.treasury.gov.za/documents/national%20budget/default.aspx> • Created with Datawrapper

Table 29 shows real excise revenues from gin, liqueurs, cane and rum. From 2014/15 to 2022/23, real excise revenue from gin increased from R370 million to R3.8 billion, for liqueurs, from R510 million to R920 million and for cane, from R80 million to R 270 million. Real excise revenue from rum declined from R110 million to R50 million over the same period.

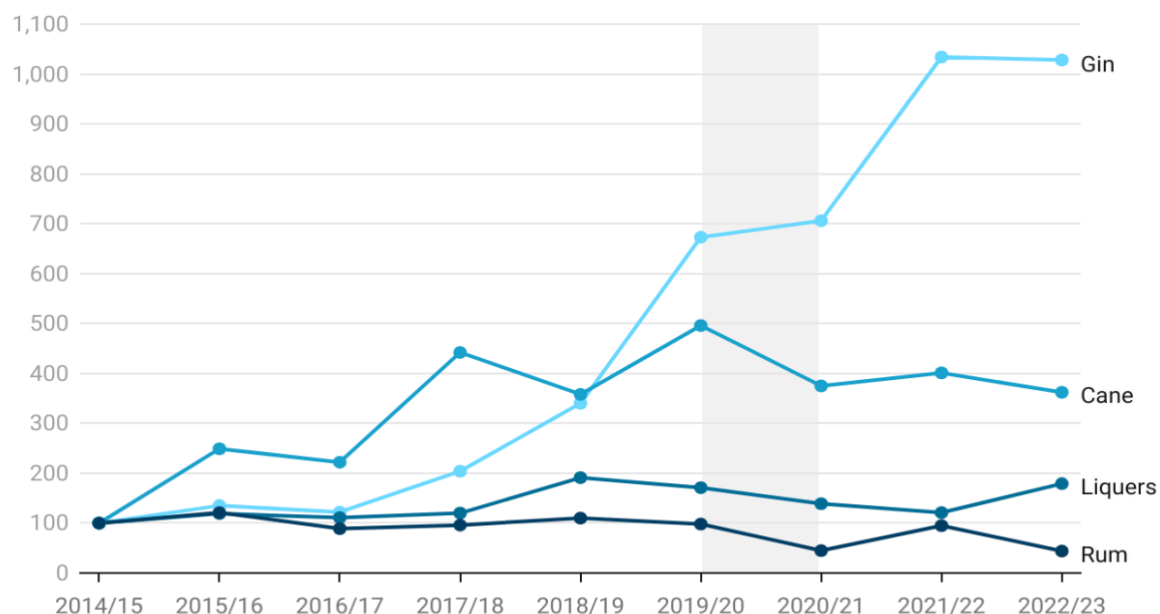
Table 29 | Real excise revenue from gin, liqueurs, cane, and rum (in billions), 2021 prices

Year	Gin		Liqueurs		Cane		Rum	
	Revenue	2015=100	Revenue	2015=100	Revenue	2015=100	Revenue	2015=100
2014/15	R0,37	100.0	R0,51	100.0	R0,08	100.0	R0,11	100.0
2015/16	R0,50	134.6	R0,61	119.0	R0,19	249.4	R0,13	121.4
2016/17	R0,45	121.6	R0,57	111.2	R0,17	221.9	R0,09	89.0
2017/18	R0,75	204.1	R0,62	120.4	R0,33	442.0	R0,10	96.5
2018/19	R1,26	340.0	R0,98	191.1	R0,27	357.6	R0,12	110.1
2019/20	R2,49	672.7	R0,87	170.8	R0,37	495.6	R0,10	97.7
2020/21	R2,61	706.4	R0,71	138.7	R0,28	375.3	R0,05	45.3
2021/22	R3,82	1033.5	R0,62	120.7	R0,30	401.3	R0,10	95.4
2022/23	R3,80	1028.2	R0,92	179.3	R0,27	362.3	R0,05	44.4

Source: National Treasury and UNU-WIDER. Excise alcohol and tobacco data 2015-2023. Version 5.0. National Treasury's Annual Budgets, available at <https://www.treasury.gov.za/documents/national%20budget/default.aspx> • Created with Datawrapper

Figure 44 below highlights the trends in real excise revenue for gin, liqueurs, cane and rum. The real excise revenue from gin in has increased by over 900% from 2014/15 to 2022/23. Over the same period, real excise revenue from cane and liqueurs has increased by 260% and 79%, respectively. Real excise revenue from rum has declined by 65% from 2014/15 to 2022/23.

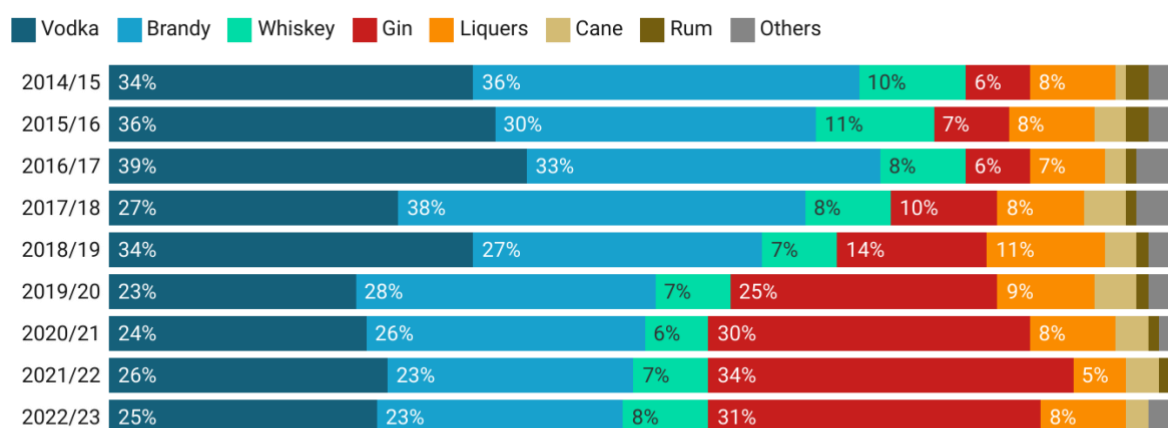
Figure 44 | Trends in real excise revenue for gin, liqueurs, cane, and rum, 2014/15=100



Source: National Treasury and UNU-WIDER. Excise alcohol and tobacco data 2015-2023. Version 5.0. National Treasury's Annual Budgets, available at <https://www.treasury.gov.za/documents/national%20budget/default.aspx> • Created with Datawrapper

Figure 45 displays the contribution shares in real excise revenue from different types of spirits. The excise revenue contribution shares from traditional spirits declined from 2014/15 to 2022/23, a decline of 9 percentage points for vodka, of 13 percentage points for brandy, and of 2 percentage points for whiskey. The contribution share in real excise revenue from gin has increased by 25 percentage points from 2014/15 to 2022/23, from a contribution of 6% to 31%. On the other hand, the contribution shares in excise revenue for cane, liqueurs, rum, and other spirits have remained roughly steady over time.

Figure 45 | Contribution shares in real excise revenue for spirits



Source: National Treasury and UNU-WIDER. Excise alcohol and tobacco data 2015-2023. Version 5.0. National Treasury's Annual Budgets, available at <https://www.treasury.gov.za/documents/national%20budget/default.aspx> • Created with Datawrapper

12. ILLICIT TRADE IN ALCOHOL

Illicit alcohol can take several forms: (1) tax-evaded alcohol, where alcohol is produced by either registered or unregistered producers, (2) alcohol smuggled from other countries (either ethanol as raw material, or finished product), (3) counterfeit (copying existing brands, or refilling empty bottles of legitimate brands), (4) illicit homebrew (home-made alcoholic beverages produced for commercial purposes without paying excise taxes), (5) surrogate alcohol (alcohol not meant for human consumption), or (6) high volumes of alcohol bought at duty-free shops and resold. Anecdotal evidence from a conversation with a SARS employee in March 2024 indicates that liquor is likely being smuggled into South Africa and bought at extremely low prices, undercutting alcohol producers who are tax compliant.

Estimates published by WHO in 2024 indicate that in 2019 (three-year average of 2017, 2018, 2019), total alcohol per capita consumption (APC) among those aged 15+, was 8.8 litres of pure alcohol.¹⁹ Of the 8.8 litres of pure alcohol, 7.7 is estimated to be recorded, while 1.4% is estimated to be unrecorded (illicit trade estimate of 15.9%).^{x 19}

Euromonitor Consulting estimated that in 2020, 22% of the alcohol market by volume in South Africa was illicit.⁹³ It should, however, be noted that one should be cautious of these estimates of illicit trade in alcohol because (1) Euromonitor's estimates of illicit trade of *cigarettes* have been criticised for being inaccurate,⁹⁶ and (2) 2020 was an unusual year because of the more than 100 days of liquor sales bans which resulted in some people brewing their own alcohol, and/or obtaining alcohol through illicit means.⁹⁷ Euromonitor International's definition of illicit alcohol excludes homebrewed alcohol for own use.⁹⁷

^x WHO description of the methods and data sources used to measure unrecorded APC is as follows: 'Unrecorded alcohol consumption was estimated as a percentage of total alcohol consumption. Country-level proportions of unrecorded alcohol consumption were estimated using a regression analysis. Estimates of unrecorded alcohol consumption were obtained from four sources: judgements from a WHO survey of experts; a WHO and CAMH nominal expert group Delphi survey assessing the proportion of unrecorded alcohol consumption in 34 WHO Member States where unrecorded APC was relatively large (Probst et al., 2018); a second WHO and CAMH nominal expert group Delphi survey of 129 experts from 42 WHO Member States; and the STEPwise approach to surveillance (STEPS) surveys (Probst et al., 2018).'

As noted in a 2022 document,⁹⁷ these estimates are substantially derived from the alcohol industry and are likely to be inflated to support the industry's contention that alcohol excise taxes should not be increased. The alcohol and tobacco industries often claim that the illicit market is out of control, and that the increase in illicit trade is attributable to an increase in the excise tax. The industry estimates can differ substantially from consumer surveys. For example, the 2014 International Alcohol Control Study, conducted in Tshwane, found that only 1% (95% CI: 0.4–2.3%) reported drinking homebrewed beer as their primary beverage.⁹⁸

In a 2023 technical manual,⁹ the WHO noted that taxation of wine using a volumetric specific tax results in a common form of tax evasion in South Africa, where water is added (up to 25% of the volume) to duty-paid 'bulk wine' (wine not in packaging for retail sale) to increase the volume of 'wine' sold to the public.⁹ In some cases, cheap alcohol (obtained from fermenting sugar with water and yeast) is added to bulk wine.⁹ Tax evasion can also occur when bulk wine is cleared duty-free for distilling purposes (for example, to produce brandy) and subsequently sold as wine.⁹ To address the high risk of illicit trade for bulk wine, the excise legislation was amended in 2013.⁹ Strict licensing requirements are imposed on the movement of bulk wine, both domestically and for export.⁹

We estimated the illicit trade in *cigarettes* by applying the gap analysis technique.⁹⁹
¹⁰⁰ The number of illicit cigarettes is estimated by calculating the difference between the number of self-reported cigarettes (derived from nationally representative surveys, and uplifted to account for under-reporting) and the number of legal (tax-paid) cigarettes (derived from government sources) from 2002 to 2022. In 2022, the cigarette illicit market accounted for around 60% of the total market.¹⁰⁰

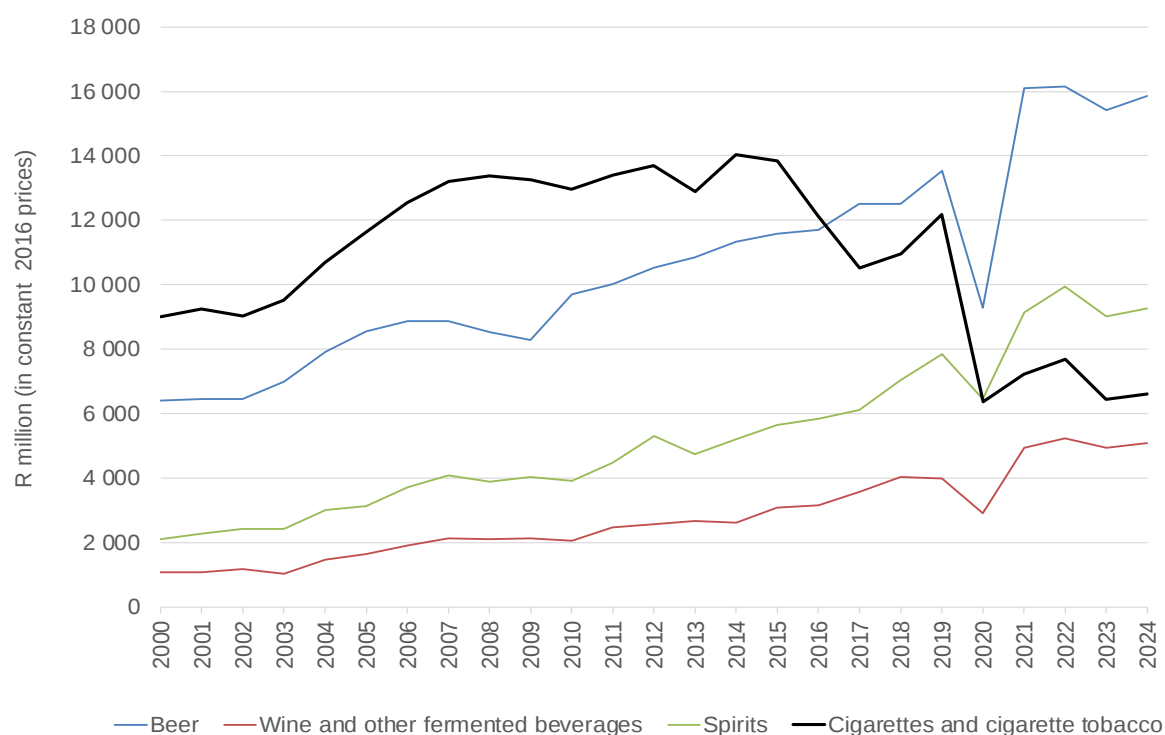
In any gap analysis, there are two unknowns: the number of illicit cigarettes, and the level of under-reporting in survey data. The latter is a key assumption of the gap analysis. For cigarettes, people tend to under-report by only a small fraction (around 5–10%, and it could be as low as zero, i.e., no under-reporting). Under-reporting of alcohol is much larger. A comparison between aggregate alcohol consumption, as reported by respondents to the NIDS surveys, and alcohol tax-based sales data indicates that NIDS respondents reported only about 22% of total recorded alcohol consumption in 2014/15.²⁰ A 2017 study found that NIDS 2012 covered only 14.6% (95% CI: 11.3% – 20.3%) of total per capita alcohol consumption.¹⁰¹ Either alcohol abstention is substantially less than reported, or consumption per drinker (on average) is much more than reported, or both. Because of significant under-reporting issues, we are unable to use the gap analysis method to measure illicit trade in alcohol.

We can, however, look at trends in consumption data, and from those trends derive whether there are significant deviations, which could potentially point to changes in illicit trade. Alcohol consumption is derived as total tax revenue, divided by the excise tax per litre of alcohol (or litre of beverage) (Figure 12). Decreases in revenue-derived consumption can be affected by (1) increases in illicit trade or (2) actual decreases in consumption. We know

that officially-recorded alcohol consumption has remained largely constant in the past few decades (estimated at 6.9 litres of pure alcohol per person per year in 2001, and 6.4 litres of pure alcohol per person per year in 2022) (Figure 13).

Figure 46 shows the real excise tax revenue from alcohol and tobacco for the 2000–2024 period. From its peak in 2014, real *tobacco* tax revenue decreased considerably. It was lowest in 2020, driven by the 20-week sales ban in that year, but has recovered only marginally subsequently. In contrast, there is no such downward trend for alcohol excise tax revenue. Other than a substantial dip in 2020 for beer and wine, which can be attributed to the numerous alcohol sales bans in that year, real excise tax revenue from alcohol has been increasing consistently over the past two decades. The increase in alcohol revenue (and therefore sales) is not due to rapid increases in household income, because macro-economic performance during this period has been weak. Based on this, admittedly limited, view of the market, arguments that the illicit trade in alcohol has increased sharply in the past years should be questioned. Whereas the increase in the illicit trade in *tobacco* products is reflected in the tax revenue numbers, there is nothing in the alcohol revenue numbers to suggest that this is a problem.

Figure 46 | Real excise tax revenues from tobacco and alcohol



Prior to October 2023, duty-free sales of alcohol (and cigarettes) were a major loophole. Rogue diplomats bought excessive amounts of alcohol and tobacco duty-free to sell it in the domestic market for personal gain.¹⁰² For example, the Department of International Relations and Co-operation found that one diplomat spent R36m in three months on duty-free alcohol.¹⁰³ SARS estimated the fiscus was losing about R100m a month due to this trade on the black market.¹⁰⁴

Amendments to the schedules to the Value Added Tax Act and the Customs and Excise Act to stop the abuse were published for comment between November and December 2020.¹⁰⁴ A quota system was approved, and it was due to come into operation in July 2021.¹⁰⁴ However, in June 2021, four retailers, including Nu Africa Duty-Free Shops, brought an application in the High Court challenging the constitutionality of the minister's powers to amend the schedules to regulate trade, as well as the process the minister followed.¹⁰⁴ The Nu Africa Duty Free store is situated in Hatfield, a suburb in Pretoria where 130 embassies and high commissions are located.¹⁰² Retailers argued that the process was arbitrary, irrational and procedurally unfair.¹⁰⁴ The high court found in favour of the retailers and determined the process was unfair and the legislative provisions given to the minister were unconstitutional.¹⁰⁴

In October 2023 the High Court's ruling was overturned when the Constitutional Court agreed with SARS Commissioner Kieswetter's argument that the legislation was not unconstitutional as the executive authority needs the agility to act quickly to curtail abuse, and parliamentary oversight was not excluded.^{104 105} The quota system was implemented following amendments to the Customs and Excise Act and the Value Added Tax Act.¹⁰²

13. GAPS IN SOUTH AFRICA'S ALCOHOL TAXATION STRUCTURE

The current tax structure has many good features. Taxing beer and spirits on alcohol volume, rather than on the volume of the beverage, is regarded as international best practice. However, there are several gaps and potential anomalies. Some of these gaps and anomalies have been alluded to previously. Here, we highlight these gaps and discuss possible solutions. We acknowledge that these solutions are not perfect and may have other drawbacks. As such, we regard this as a discussion document, rather than a blueprint.

13.1. Excise tax on wine is too low

The most popular still light grape wines in South Africa are 4th Street (9% AA), Paarl Perle (11.5% AA), and Drostdy-Hof (8.5%AA), which collectively account for 33.7% of total wine volume.³² Data from 2022⁶⁶ indicate that 75% of wine (local and imported) is sold for less than R50/L.

The favourable tax treatment of wine has a historical precedent, i.e., a desire to grow the industry, domestically, but especially internationally. However, exported wine does not attract excise taxes in South Africa, so there is no need to be concerned about the development of the export market. Currently, the excise tax applied to locally-produced wine is extremely low compared to that on beer and spirits. Wine, like other alcoholic beverages, imposes a substantial cost on communities when consumed in excess. Wine taxes should therefore be better aligned to beer and spirits.

In 2024/25, the excise tax rates are as follows:

- Unfortified wine: R5.57/L of beverage
- Fortified wine: R9.40/L of beverage
- Sparkling wine: R17.83/L of beverage (3.2 times rate of unfortified wine)

The beer industry often complains about the ‘unfair’ tax treatment of wine, compared to beer. The subtext is typically to decrease the excise tax on beer. While we agree with the beer industry that there is an inherent ‘unfairness’ in the way that wine is treated (vis-à-vis beer), the degree of alcohol abuse in South Africa suggests that wine should be taxed at a higher rate, rather than that beer is taxed at a lower rate.

Even within the wine industry, there are some complaints that the current excise tax structure for wine discriminates against producers of low-alcohol wine. Wine is taxed at the same rate per litre of beverage, irrespective of alcohol content. De-alcoholised wines and low-alcohol wines make the current policy structure unsustainable and hard to defend (e.g., wine with 14% alcohol is taxed the same as wine with 0.5% alcohol).

We considered several options:

1. *Volume specific tax, with alcohol-based tiers*

An option is to create tiered rates within wine categories whereby excise taxes increase as alcohol content increases. An example of a country that applies excise taxes on wine in this way is Canada:¹⁰⁶

- Wine containing not more than 1.2% ABV: \$0.022/L of beverage
- Wine containing more than 1.2% but not more than 7% ABV: \$0.344/L of beverage
- Wine containing more than 7%: \$0.716/L of beverage

The alcohol content still needs to be determined, so tiers pose similar problems to taxing wine by AA.

As with specific taxes based on alcohol content, when wines with higher alcohol content are placed in tiers with higher tax rates, it creates strong incentives for wine producers to lower alcohol content and move consumers towards lower-alcohol wine (to the extent that this is possible in the production process).⁹

Although well-designed tiers can sharpen the effectiveness of tax policy, they result in more complex tax administration.⁹ Poorly designed tiers may bring about no benefit, and may even result in unintended consequences (such as tax avoidance and evasion).⁹ Tiered rates often provide more tax avoidance opportunities than a uniform rate, resulting in more leakages in tax revenue.^{9 107} Tiered tax rates require strong tax administration to implement and to enforce them. As with other complicated tax structures, tiered rates may be challenging for low-capacity or poorly resourced tax-administration settings.⁹

Evidence from *tobacco* taxation suggests that, compared to uniform rates, tiered tax rates are associated with lower average prices, greater tax avoidance opportunities, and higher consumption.^{9 108-111} Uniform rates are more appropriate for reducing alcohol consumption because consumers are less likely switch to cheaper brands in lower tax tiers.⁹ Taxing all alcoholic beverages within the same category or beverage type at the same rate also reduces incentives for alcohol producers to manipulate their prices to avoid part of their tax

liabilities.⁹ The WHO concludes that uniform taxes, rather than tiered taxes, are generally more effective at reducing alcohol-related harms than tiered taxes.⁹

2. Alcohol-content specific tax, with alcohol-based tiers

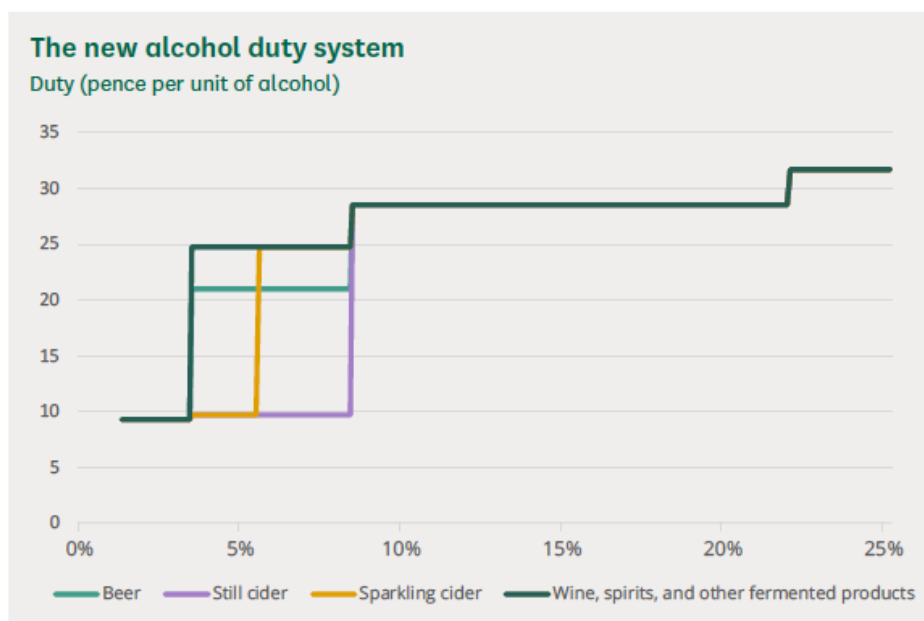
Another option is to create tiers with higher excise rates for higher levels of alcohol but, instead of taxing by litre of beverage, taxing by litre of AA. The UK provides an example. On 1 August 2023, the UK Government restructured the taxation of alcohol.¹¹² Wine and cider would now be taxed in proportion to the strength of the product, in line with beer and spirits.¹¹² Between 3.5% and 8.4% ABV, beers and still ciders are charged at a lower rate than spirits, wines, and other fermented products.¹¹² Sparkling ciders are also charged a lower rate, but only between 3.5% and 5.5% ABV.¹¹² For other alcoholic strengths, all types of alcohol are taxed at the same rate. The excise tax for wine, spirits and other fermented products has the following tiers, presented below and in Figure 47 (1 unit of alcohol = 10ml):

- Below 1.3% ABV: no tax
- 1.3% to 3.5% ABV: £9.27 for each litre of pure alcohol in the product
- 3.5% to 8.5% ABV: £24.77 for each litre of pure alcohol in the product
- 8.5% to 22%ABV: £28.50 for each litre of pure alcohol in the product
- >22%ABV: £31.64 for each litre of pure alcohol in the product

The advantage of having the tax applied to each litre of pure alcohol (as opposed to the litre of beverage) is that the tax amount changes within bands. For example, in the third band, a litre of wine with 4% ABV will be subject to an excise tax of £0.99 ($£24.77 \times 0.04$), while a litre of wine with 8% will be subject to double the excise tax of £1.98 ($£24.77 \times 0.08$).

It is important to note that the UK tax system does not differentiate between different alcohol categories, beyond 8.5% ABV. A wine with 16% ABV will be taxed at the same rate per unit of alcohol as a liqueur with 16% ABV. The argument is that alcohol is equally harmful, irrespective of the kind of beverage in which it is found. In this regard, the UK system differs from the South African system, where there are substantial differences in the excise tax per litre of alcohol across the different alcohol categories.

Figure 47 | Alcohol excise taxes in the UK from 1 August 2023



Source: UK Parliament: House of Commons Library. *The new alcohol duty system*.
<https://researchbriefings.files.parliament.uk/documents/CBP-9765/CBP-9765.pdf>. 11 March 2024

3. Alcohol-content-based specific

The excise tax structure for beer and spirits is an alcohol-content-based specific tax, while for wine it is volume-specific. The WHO's Regional Office for Europe, in a 2020 publication,¹¹³ argues that there is no clear argument from a health perspective to tax different products on different bases, noting that: *'As alcohol itself is the vector of harm, the most effective approach to taxation with a view to improving public health and reducing this harm is to tax the volume of alcohol directly through a fully specific system of taxation'*.¹¹³

The WHO argues that tax administrators (and not the manufacturer or importer) should be responsible for defining alcohol strength, because there is an inherent incentive for manufacturers and importers to under-report alcohol content so as to pay lower taxes.⁹ However, in practice, it is not feasible for tax administrators to take on this responsibility. Alcohol strength in beverages can be measured through a variety of methods that differ in their accuracy, cost, rapidity, and sample availability.⁹ Testing alcohol strength for taxation purposes may be the reason that only eleven jurisdictions tax wine by alcohol content (Cook Islands, Equatorial Guinea, Iceland, Jamaica, Mongolia, Norway, Panama, Papua New Guinea, Singapore, Suriname, and Tonga).³⁰ These are not wine-producing countries.¹¹⁴

To understand National Treasury's thinking on taxing wine, information is drawn from several documents.

In a May 2014 alcohol review document, National Treasury stated: *'If the argument holds that all alcoholic beverages should be taxed at the same rate based on alcohol content it stands to reason that the beer rate will have to increase substantially to match the spirits rate – as it would be unlikely to argue for a lower excise duty rate for spirits. To bring the excise*

*duty for wine into this debate complicates the issue even further (by multiples), not only does the absolute alcohol content for wine vary quite substantially (from 6.5% to 16.5% for natural wine), such an equalisation of the excise tax rate based on alcohol content will result in a substantial increase in the tax burdens for both wine and clear beer’.*¹²

Similarly, in another 2014 document commissioned by the WHO, academics spoke to a National Treasury employee, who stated that South Africa taxes wine based on its beverage volume rather than its absolute alcohol content due to practical considerations.²⁵ Given the multitude of wine producers, it would be infeasible to audit each producer for alcohol content across the diverse range of wines they produce. The wine industry's decentralized nature and the wide variety of wines further complicate the feasibility of assessing taxes based on alcohol content.²⁵

In a 25 October 2023 document,⁸⁹ National Treasury said that, in theory, the taxation of alcoholic beverages based on alcohol content would be ideal for public health purposes. National Treasury noted that the alcohol content for wine varies quite substantially (i.e., between 4.5%–16.5% ABV for natural wine, and 15%–22% ABV for fortified wine) and changing the base to ABV will complicate the administration of the system.⁸⁹ They added that the application of low excise duties on a per litre basis is only done in Australia, France, Italy, and the USA because of ‘strong economic backward linkages, employment contribution, export and tourism potential’.⁸⁹ They also added that the European Union Directive 92/84/EEC provides for different treatment of categories of alcoholic products (i.e., wine is taxed per product volume, whereas beer and spirit is taxed based on alcohol content) and special rates for small producers.⁸⁹

We considered the possibility of using the alcohol content printed on the labels of wine bottles to determine the alcohol content. However, there is no way to tell whether the alcohol content printed on the labels is accurate unless testing is done. The wine industry would be incentivised to under-report the alcohol content to reduce their tax liability.

4. Volume specific: increasing excise to reach equivalence to beer

An option is to keep the current structure (volume specific) for wine, but increase the rate so that the rate is aligned to malt beer. The calculations that follow answer the question: ‘what would the excise tax on unfortified wine need to be so that it is equivalent to malt beer?’

- Wine is currently taxed at R5.57 per litre of beverage
- Beer is currently taxed at R135.89 per litre of pure alcohol
- Assume average alcohol content of wine is 11.5% ABV
- If wine was taxed at the same rate as beer then each litre of wine would be taxed at R15.63/L of beverage ($R135.89 \times 0.115$). This is a R10.06 per litre ($R15.63 - R5.57$) increase from the current rate of R5.57/L of beverage
- Assume that wine producers fully pass through the excise tax increase to the retail price

- Total excise tax: R5.57/L of beverage (existing) + R10.06 (additional) = R15.63/L of beverage
- Adding 15% VAT to the additional excise tax of R10.06 increases the additional amount to R11.57 per litre of beverage ($R10.06 \times 1.15 = R11.57$)
- Impact on the retail price of 1L of Paarl Perle (11.5% ABV) is R39.99 (current price) + 11.57 (excise tax increase plus VAT on excise) = R51.56
- This is a 29% increase in the retail price

Under this proposal (increasing the excise tax from R5.57/L of beverage to R15.63/L of beverage), the tax on wine is still implemented as a volumetric tax, but the tax is benchmarked to beer. A problem with this option is that wine producers may increase the amount of alcohol in each bottle of wine, resulting in consumers drinking more pure alcohol.

5. *Minimum Unit Pricing*

Minimum Unit Pricing (MUP) operates as a legally-mandated 'floor price' preventing retailers from selling alcohol below a specified threshold.⁵³ Unlike increasing taxation, which affects the price of all products, MUP increases the price of only the cheapest alcohol. Since heavier drinkers typically favour cheaper drinks,^{115 116} MUP policies target prices of the cheapest alcohol bought by heavier drinkers without significantly affecting the prices of alcohol bought by moderate drinkers, who tend not to seek out the cheapest products.¹¹³ MUP should cover all alcoholic beverages to be most effective.

While excise taxes have been applied to alcohol for centuries, MUP was first applied in Scotland in 2012.¹¹⁷ Scotland implemented MUP because they do not have the authority to increase excise taxes. As at June 2022, only 14 countries had minimum pricing policies on alcohol beverages in place, with 11 located in the WHO European Region (in the UK, only in Scotland and Wales).¹¹⁸ In Canada, minimum pricing policies are in place in 10 of the 13 provinces.¹¹⁸ In Australia, MUP is in place in only one of the eight territories. Three countries have an MUP on all alcoholic beverages (Armenia, Ireland, and the UK (only in Scotland and Wales)).¹¹⁸

The purpose of MUP is *not* to raise more revenue for government, but to increase prices, specifically of low-price alcohol. Any extra revenue gained is to the benefit of liquor manufacturers and/or retailers rather than the state, as in the case of excise taxes. However, the imposition of MUP has the potential to decrease state spending on addressing alcohol harms. If an MUP were to be applied to alcohol in South Africa, then the authorities would have a strong case against shop owners, informal traders, and retail outlets who sell alcohol below the MUP, and to confiscate the alcohol. Without an MUP, retailers could argue that the tax has been paid (by the producer), but that they are selling the alcohol below cost as a loss leader.

Importantly, MUP does not serve as a substitute for excise taxes; rather, it works alongside them to elevate the price of excessively cheap alcohol. This targeted approach is particularly effective because heavy drinkers often opt for the cheapest options available.

Even when excise taxes are paid in full, certain alcoholic beverages can remain cheap. Any shortfall in excise tax collection should be addressed as a matter of tax administration, rather than a flaw in the tax system's design.

MUP is good for public health because it discourages the heaviest drinkers from purchasing very cheap alcohol (which heavy drinkers often purchase). It is also useful for the enforcement authorities because it gives an additional tool to eliminate illicit traders because it makes it more difficult to operate. The greatest criticism of MUP is that the additional spending on alcoholic beverages goes directly to the alcohol industry.

Much research on MUP in South Africa has been done.^{97 119-124} Van Walbeek & Chelwa (2021) found that, irrespective of income group, binge and other heavy-drinking households in South Africa prefer cheaper alcoholic products, while moderate drinkers prefer more expensive ones.¹²³ The authors also found that an MUP of ZAR3.00 (alternatively ZAR10.00) per standard drink is estimated to reduce alcohol consumption by 11.9% (21.8%) among regular heavy-drinking households, by 3.1% (11.6%) among occasional heavy-drinking households, by 2.3% (15.9%) among intermediate-drinking households, and by 0.3% (6.1%) among moderately drinking households.¹²³

Gibbs et al. (2022) noted that a R10 MUP is likely to be regressive, if the policy is assessed only in terms of alcohol expenditure, and if the price elasticities of demand for alcohol in the South African literature are accurate.¹²¹ They argue, however, that despite the possibility of an MUP being regressive on alcohol-dependent people, MUP should not be judged on financial (i.e. expenditure) grounds only, but also on health grounds.¹²¹ MUP is associated with substantial health benefits (specifically reduced medical costs for alcohol-related ills and avoided alcohol-related deaths), which are accrued disproportionately by the poor.¹²¹

In terms of how the MUP will have a practical impact on the retail prices, consider the following example of an MUP applied to spirits. A 750ml bottle of whiskey with 40% alcohol has 300ml of AA (750×0.40). If we assume that 1 unit of AA = 15ml of AA (which is the norm adopted in South Africa), then the 750ml bottle of whiskey has 20 units of alcohol ($300\text{ml}/15\text{ml}$). If we assume that an MUP of R10 per unit of AA is applied to the bottle then the bottle should cost R200 ($20 \text{ units} \times \text{R}10 \text{ per unit}$). The current (Augst 2024) retail price of a low-cost 750ml bottle of Three Ships Whiskey is R189 at Makro.

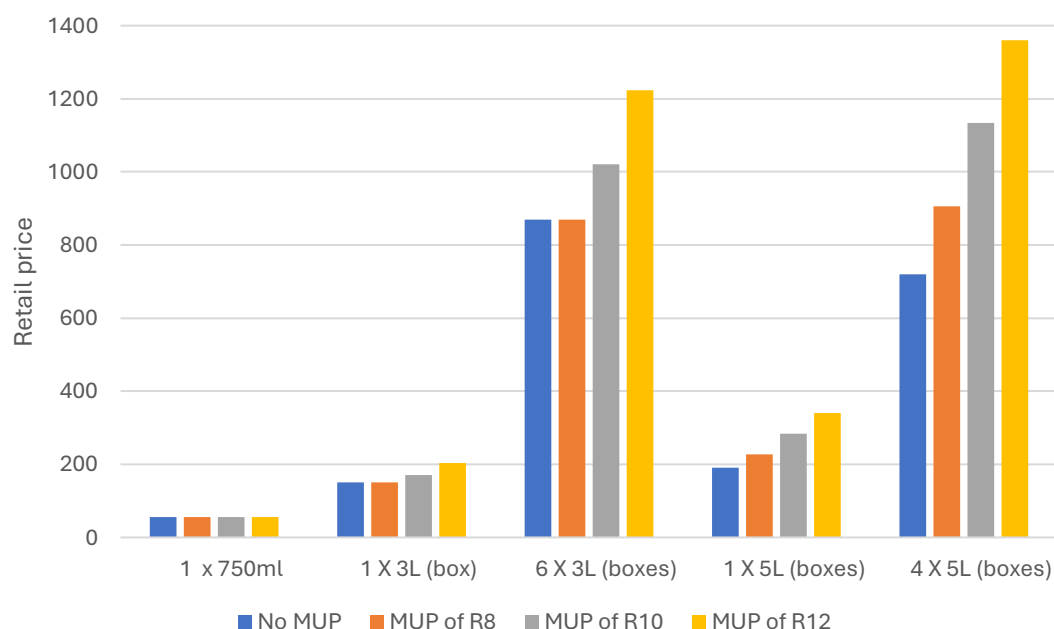
If an MUP on wine were to be introduced, the largest impact on retail prices would be on bulk purchases (Table 30 and Figure 48). The total millilitres of AA in one 750ml bottle with 11.5% AA is 63.75ml. The number of units (or standard drinks), assuming 15ml of AA/drink, is 4.3 ($63.75/15$). The MUP price would be R34 if the MUP is R8 (4.3×8). If it is lower than the current retail price, the price remains unchanged. An MUP of R8 would also make no difference to 1 X 3L or 6 X 3L, but does increase the price for 1 x 5L and 4 X 5L. One 5L box of wine has 425ml of AA (5000×0.085), 28.3 units ($425/15\text{ml per unit}$). An MUP of R8 would increase the retail price from R189.99 to R226.67 (28.3×8), i.e. a R36.68 (19.3%) increase. An MUP of R12 would increase the retail price of 4 X 5L from R720 to R1360 (89% increase).

Table 30 | The impact of MUP on retail prices of wine packaged in different sizes (using example of Drostdy-Hof Extra Light White, 8.5% AA)

	Total ml of beverage	Retail price on 4 March 2024	Total ml of AA	Number of units (assuming 15ml of AA/drink)	Price if MUP is R8 per unit	Additional industry margin	Price if MUP is R10 per unit	Additional industry margin	Price if MUP is R12 per unit	Additional industry margin
1 x 750ml	750	54.99	63.75	4.3	54.99	0.00	54.99	0.00	54.99	0.00
1 X 3L (box)	3000	149.99	255	17.0	149.99	0.00	170.00	20.01	204.00	54.01
6 X 3L (boxes)	18000	870.00	1530	102.0	870.00	0.00	1020.00	150.00	1224.00	354.00
1 X 5L (boxes)	5000	189.99	425	28.3	226.67	36.68	283.33	93.34	340.00	150.01
4 X 5L (boxes)	20000	720.00	1700	113.3	906.67	186.67	1133.33	413.33	1360.00	640.00

Note: Yellow cells show situations where prices would need to increase to ensure that MUPs of R8, R10, and R12 per unit are met.

Figure 48 | The impact of MUP on retail prices



The advantages and disadvantages of these four proposals are summarised in Table 31.

Table 31 | Policy options for wine, advantages and disadvantages

	Advantages	Disadvantages
<i>1. Volume specific, with alcohol-based tiers</i>	- Higher alcohol content wine is taxed at a higher rate than low-alcohol content wine (if they fall into different tiers). - Creates incentives for producers to lower alcohol content and move consumers towards lower-alcohol wine. - Creates incentives for consumers to substitute to lower alcohol content.	- Require measurement and verification of alcohol content. Would make administration more complicated for SARS. - If the responsibility for defining the alcohol strength is left to producers, they may underreport alcohol strength to reduce their tax liability. - Producers will try to get alcohol content just below the upper limit of lowest possible tier. - Getting the lower and upper limits of the tier ranges right is critical.
<i>2. Alcohol-content specific tax, with alcohol-based tiers</i>	- Effectively targets the vector of harm (ethanol), thereby reducing total ethanol consumption. - Unlike volumetric taxes, alcohol-content-based specific taxes ensure that alcoholic beverages with more ethanol are taxed at a higher rate. - Creates incentives for producers to reduce the absolute alcohol in wine. - Creates incentives for consumers to substitute to alternatives with lower alcohol content.	- Require measurement and verification of alcohol content. Would make administration more complicated for SARS. - If the responsibility for defining the alcohol strength is left to producers, they may underreport alcohol strength to reduce their tax liability. - Producers will try to get alcohol content just below the upper limit of lowest possible tier. - Getting the lower and upper limits of the tier ranges right is critical.
<i>3. Alcohol-content-based specific</i>	- Effectively targets the vector of harm (ethanol), thereby reducing total ethanol consumption. - Unlike volumetric taxes, alcohol-content-based specific taxes ensure that alcoholic beverages with more ethanol are taxed at a higher rate. - Creates incentives for producers to reduce the absolute alcohol in wine. - Creates incentives for consumers to substitute to alternatives with lower alcohol content.	- Require measurement and verification of alcohol content. Would make administration more complicated for SARS. - If the responsibility for defining the alcohol strength is left to producers, they may underreport alcohol strength to reduce their tax liability.
<i>4. Volume specific: increasing excise to reach equivalence to beer</i>	- No additional administration costs. - Alcohol strength does not need to be determined.	- Producers may increase pure alcohol content. - Low alcohol content beverages are taxed at the same amount as high alcohol content beverages.

5. <i>Minimum Unit Pricing (MUP)</i>	○ MUP aims to reduce alcohol consumption, particularly among heavy drinkers who typically opt for cheaper, higher-strength beverages. By increasing prices, MUP discourages excessive drinking and its associated health and social harms. ○ MUP specifically targets cheap, high-strength alcohol, which is disproportionately consumed by heavy drinkers and vulnerable groups. It can therefore be more effective in reducing harmful drinking patterns compared to blanket taxation measures.	○ Determining the appropriate minimum unit price requires careful consideration of various factors such as alcohol strength, container size, and regional variations in alcohol consumption patterns. This complexity can complicate implementation and enforcement. ○ MUP could potentially impact smaller producers and retailers who rely on lower-priced products.
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13.2. Ready-to-Drinks (RTDs), Flavoured Alcoholic Beverages (FABs), and ciders

While all alcoholic beverages can be considered substitutes of each other, by virtue of the fact that they contain alcohol, this is particularly true for RTDs, FABs, and ciders. These products are often consumed by youth, because they are sweeter and easier to drink. RTDs and FABs are taxed at the spirits rate, while ciders are taxed at the beer rate. This seems anomalous. Taxing ciders at the spirits rate instead of the beer rate should be considered, because of their appeal to young people, and especially young females.

13.3. Malt beer tax is too low

Beer became more affordable from January 2016 to March 2024; during this period the average real price decreased by 9.3%.⁷⁹ Beer is the alcohol of choice of most South Africans. The Tshwane study indicates that, among heavy drinkers, the most commonly reported beverage, consumed at the primary drinking location, was beer (57.5% of heavy drinkers). While we do not have exact figures on the societal harm caused by beer, the Tshwane study suggests that it heavily consumed by heavy drinkers. As such, it should be taxed at a higher rate. The excise tax on beer is currently half the excise tax on spirits.

13.4. Traditional African beer and Traditional African beer powder are taxed at a minimal rate

The excise tax on Traditional African beer has been R0.0782 per litre of beverage since 2001. The excise tax on Traditional African beer powder has been R0.347/kg since 2001. The excise tax on both products has been eroded by inflation in the past two decades (Figure 29), and has decreased by more than 70% in real terms since its peak in 1997. These excise taxes need to be revised, especially given that instant beer powder, which is gaining popularity, falls under the Traditional African beer powder rate (34.7 cents / kg). These low excise taxes will not have any deterrent effect.

Instant beer powder could be taxed using the same principle that is applied to malt beer. For malt beer, the excise tax burden (excise duties) as a percentage of the weighted average retail selling price is set at 23%. For instant beer powder to have a tax burden of 23% of the weighted average retail selling price, the excise tax of a currently priced pack of instant powder (R22.99) would need to be R5.29 (calculated as $22.99 \times 0.23 = R5.29$). If the excise tax is fully passed through, the retail price would increase by $R5.29 \times 1.15$ (VAT) = R6.08. The price increase is 26.5%, calculated as $((R29.07 - 22.99) / 22.99) \times 100$.

If it is not politically feasible to increase the excise tax on traditional beer powder, the National Treasury should consider introducing a separate tax category for instant beer powder. At a practical level, the definition of the products must be such that producers cannot manipulate the system.

13.5. Two categories in the 'other fermented beverages' are taxed lower than other similar beverages

The two tariff headings listed below are taxed at R106.76/L of AA, while all other similar beverages under the 22.06 section 'other fermented beverages' are taxed at R135.89. To avoid the alcohol industry classifying beverages into this category to reduce their tax liability, we recommend they be taxed at the higher rate of R135.89/L of AA.

- 2206.00.84 Other fermented apple or pear beverages, fortified, with an alcoholic strength of at least 15 per cent by volume but not exceeding 23 per cent by volume.
- 2206.00.85 Other fermented fruit beverages and mead beverages including mixtures of fermented beverages derived from the fermentation of fruit or honey, fortified, with an alcoholic strength of at least 15 per cent by volume but not exceeding 23 per cent by volume.

13.6. Pot-stilled brandy taxed 10% less than brandy

Responding to a call for public comments on the Draft Rates and Monetary Amounts and Amendment of Revenue Laws Bill (dated 31 July 2023),¹²⁵ the WHO wrote a letter to National Treasury, dated 18 September 2023,¹²⁶ with this comment:

'All spirits are subject to an excise duty of R257.23/li aa except for brandy, which is subject to a lower excise duty rate. This may be considered discriminatory. Is there a justification for the lower duty on brandy?'

On 25 October 2023, National Treasury, in their Draft Response Document on the 2023 Draft Revenue Laws Amendment Bill⁸⁹ responded as follows:

'In Budget 2015 the Minister of Finance announced a proposal for specific provision for excise duty on pot stillled and vintage brandy as defined in the Liquor Products Act, Act No. 60 of 1989. A 10% lower excise duty, based on litres of absolute alcohol

content. The rationale is that brandy is at a cost disadvantage compared with other forms of alcoholic spirits because it takes 4-5 litres of wine to produce a litre of brandy. Further, Pot stillled brandy and vintage brandy have an extended maturation period. Pot stillled brandy must be matured by storage for a period of at least three years, and up to eight years, in oak casks with a capacity of not more than 340 litres.

National Treasury's response indicates that they have no intention of changing the special dispensation brandy producers receive. Even so, we recommend that all spirits should be taxed at the same rate since the potential to do harm is the same for all categories of spirits.

13.7. Liqueurs with 23% AA or less taxed too low

To be classified as a liqueur, a liqueur needs to have a minimum of 15% AA.⁵⁹ There are two categories for liqueurs and cordials (Appendix 3 of this report and Table C.4 of the 2024 Budget Review):

1. 'With an alcohol strength by volume exceeding 15 per cent by vol. but not exceeding 23 per cent by vol.', taxed at R109.76/L of AA.
2. 'Other', taxed at R274.39/L of AA

It is unclear why liqueurs with 23% AA or less are taxed at a lower rate. All liqueurs should be taxed at the highest rate that applies to all spirits.

DISCUSSION

The harmful use of alcohol is a critical public health concern in South Africa, resulting in significant economic and social costs. The Minister of Health has raised these concerns publicly on multiple occasions and has shown his intent to implement legislative solutions to reduce the economic and social costs. National Treasury has powerful tools at their disposal to reduce the economic and social costs and this report should be read in this context. National Treasury has taken a progressive approach to alcohol taxation in the past, and we hope this approach will continue for several reasons: (1) the increasing knowledge of the burden of alcohol use to South Africa, (2) alcohol excise taxes are one of the best tools for reducing alcohol harms, and (3) considered over a long period (30 years), alcohol excise taxes have substantially lagged the growth in excise taxes on cigarettes.

This report aims to enrich the forthcoming government discussion paper on alcohol excise taxation (expected in 2024) by conducting a comprehensive analysis of South Africa's alcohol excise taxes. Central to this endeavour was gaining an understanding of the current alcohol market and policy landscape. The current system has many good features, specifically that beer and spirits are taxed by litre of absolute alcohol (which is international best practice).

The main gap in South Africa's excise tax policy is that wine is taxed too low. The special treatment that wine receives has a long history. The excise taxes on beer, Traditional African beer and Traditional African beer powder, and instant beer are also very low. There are very large differences in the excise duty rates based on pure alcohol content for the various alcoholic beverages. Per litre of pure alcohol, spirits attracts by far the highest excise tax: double that of malt beer. The excise tax based on absolute alcohol for unfortified wine is a fifth of the excise tax for spirits. The excise tax based on the absolute alcohol for Traditional African beer powder is only 4% of the excise tax for beer. The excise tax on Traditional African beer and Traditional African beer powder has not increased in two decades, with the result that the excise taxes are now negligible. We also noted that two categories in the 'Other Fermented Beverages' are taxed lower than their counterparts (R109.76/L of AA instead of R135.89/L of AA), liqueurs with less than 23% AA are taxed at R109.76/L of AA (instead of R274.39/L of AA), and pot-stilled brandy is taxed at 10% less than the spirits rate (R246.95/L of AA).

These reduced duty rates may be related to costs of production, whereby beverages that are costly to produce are given preferential treatment, while beverages that are cheap to produce are taxed at a higher rate. It is clear from Treasury documents that these factors, which one can call supply-side factors, are considered in the setting of South Africa's alcohol tax policy. However, if one considers the consumption, or demand, side, there is no difference in the harm caused by one type of alcoholic beverage than by another. Thus, from a purist's view of tax equivalence, all alcohol should be taxed the same way.

The WHO classifies the pattern of drinking score^{xi} for Italy, France, and Spain (the top three wine-producing countries in 2022)³¹ as ‘least risky’, while South Africa is classified as ‘very risky’. Given that South Africa’s drinking patterns do not correspond to the drinking patterns of most of the prominent wine-producing countries, the excise tax on wine should be set at a much higher level so that the excise tax better reflects the harm caused by wine consumption. It is often argued that wine has an important value chain because it is labour intensive, contributes to tourism, and plays an important role in society, culture, and heritage. But are these reasons sufficient to justify the low taxation of wine? If South Africans drank responsibly, then perhaps. However, South Africa’s pattern of drinking is one of the worst in the world.²²

Contributing to hazardous drinking is the widespread availability of cheap beer in 750ml and 1L bottles. Trangenstein *et al.*⁷³ found that container size had a strong association with heavy drinking: people who drank their primary beverage from above-average sized containers at their primary location had 7.91 times the odds of heavy drinking as compared to people who drank from average-sized containers.

An option to increase the price of cheap alcoholic beverages is to introduce a minimum unit price (MUP). An MUP increases the price of only the cheapest alcohol (unlike tax increases, which affect the price of all products). Since heavier drinkers typically favour cheaper drinks,^{115 116} MUP policies target prices of the cheapest alcohol bought by heavier drinkers without significantly affecting the prices of alcohol bought by moderate drinkers, who tend not to seek out the cheapest products.¹¹³ Data collected in 2014 from a localised sample in the Tshwane Metropole indicate that, together, heavy drinkers drank 93.9% of the absolute alcohol consumed by all respondents to that survey.⁷³ This finding indicates that the alcohol industry’s revenue in South Africa depends heavily on heavy drinking. The alcohol industry often argues that alcohol-related problems only affect a small subset of drinkers and that the majority of drinkers consume alcohol ‘responsibly’, but the Tshwane data strongly contradict that conclusion.⁷³

In principle, SFBs are subject to the same tax as spirits. Anecdotal evidence suggests that there are around seven main cheap alcohol producers in the Western Cape, selling at very low prices.^{xii} The low prices suggest that excise taxes on SFBs are not being paid. SARS needs to investigate these producers. If these producers are not paying excise taxes, this is not a failure of excise tax policy, but rather of implementation and enforcement.

Another issue that needs to be addressed is unlicensed liquor outlets. In 2022, the KwaZulu-Natal Liquor Authority (who regulate liquor licensing and control of the liquor industry in the province) estimated that the province has over 7000 illegal liquor outlets.¹²⁷ Also in 2022, the Western Cape Liquor Authority estimated that more than 3200 illegal shebeens operate in the Western Cape.¹²⁸ Since excise taxes are collected at the producer level shebeens can sell legal and illegal alcohol.

^{xi} Patterns of drinking scores: 1: least risky drinking pattern, 2: somewhat risky, 3: medium risky, 4: very risky, 5: most risky.

^{xii} From conversations with Laurine Platzsky, former Western Cape Government employee.

We are unsure whether the drop in excise tax revenue from Traditional African beer and Traditional African beer powder (a 97% decrease in real terms from 1997 to 2014) is because there has been a decrease in consumption, or a change in tax compliance, or both. The very low taxation on instant beer powder (which falls under the Traditional beer powder category) is inadequate to deal with new emerging products such as Supa Ginja. If it is not politically feasible to increase the excise tax on Traditional African beer powder, then National Treasury should consider introducing a separate tax category for instant beer powder.

National Treasury groups alcoholic fruit beverages with ciders under the heading 'Ciders and alcoholic fruit beverages'. Parsing out 'alcoholic fruit beverages' and indicating which ones are taxed at the cider/beer rate, and which ones are taxed at the spirits rate, would be helpful. Tariff heading 2206.00.90, in which alcoholic fruit beverages like Brutal Fruit are classified, falls under the spirits rate of R274.39/L of AA, whereas ciders fall under the rate of beer (R135.89).

National Treasury's guideline excise tax burdens for wine, beer, and spirits have remained at 11%, 23% and 36%, respectively, of the weighted average retail price since 2012/13.⁸⁷ Despite the obvious benefit as a hedge against inflation, setting the excise tax as a percentage of the retail price gives significant power to producers to control the rate of growth in the tax value. The practice of the Treasury is to increase the specific excise tax by either the amount required to maintain the targeted total tax burden, or by at least the inflation rate, whichever is higher. This passive approach to adjusting the excise tax on alcohol has the advantage that it is predictable to all parties and does not require annual negotiations between the Treasury and industry. However, a very significant drawback is that the Treasury's ability to influence public health through discretionary increases in the alcohol excise tax is greatly reduced. Should the Treasury wish to change the targeted tax burden percentages, this would require a policy change, as was done before the new targets were announced in the 2012 budget.

An increasingly popular taxation approach, used for tobacco, is to increase the nominal excise tax by the sum of the inflation rate, the per capita GDP growth rate, and a specified percentage. For eight years from 2013 to 2020, the government of Australia increased the excise tax by 12.5% in excess of the growth in nominal wages (the latter closely follow the sum of the expected inflation rate and the real per capita growth rate). In the UK the excise tax is increased by a less aggressive 2% in excess of the growth in nominal wages, seemingly over an indefinite period. Similarly, the Philippines government had a roadmap which spelt out the increases in the excise tax for a number of years in advance.

The advantage of this approach is that it decouples the excise tax increase from the price change. The current alcohol taxation approach gives the industry a lot of power in setting the level of the excise tax. In principle, National Treasury adjusts the excise tax to meet the tax incidence targets. Should the Treasury increase the excise tax by slightly more, as has happened in the past, the industry is up in arms, complaining that the Treasury does not keep to its own principles. Implementing a system where the excise tax increases are

decoupled from the average retail price removes a lot of trouble and gives the Treasury more freedom to set the excise tax. However, the excise tax increase should be transparent and predictable, based on a clear set of guidelines by the Treasury.

South Africa needs to improve the monitoring of alcohol use. Understanding which alcoholic beverages are the main source of heavy episodic drinking can better inform excise tax policy. Monitoring of harms (e.g., alcohol-related trauma admissions) can also assist policy formulation. The most recent nationally representative surveys that include questions on alcohol consumption are the 2014–15 National Income Dynamics Study (NIDS), the 2016 Demographic and Health Survey (DHS), and the 2017 South African National HIV Prevalence, Incidence, Behaviour and Communication Survey. These are now dated.

Avenues for future research

1. Investigate the excise tax pass-through coefficient for beer

Figures 17 and 18 and Appendix Tables A1–A3 indicate that real beer prices have generally been flat over the past decade. This is surprising, given that excise taxes have increased (Figure 30). This indicates that the beer industry is likely under-shifting excise taxes. The under-shifting of excise taxes has negative implications for public health policy, since it decreases the effectiveness of alcohol taxes as a tool to reduce beer consumption.

The hypothesis that the alcohol industry is now under-shifting excise taxes would be a change of strategy from the 2001 to 2014 period when excise taxes were over-shifted.¹²⁹ Using Statistics South Africa price data for 2001 to 2014, Russell and Van Walbeek (2016)¹²⁹ investigated how changes in the excise tax on beer impacted beer retail prices in South Africa. They found strong evidence that the excise tax on beer was over-shifted to consumers: the pass-through coefficient was estimated at 4.83 (95% CI: 4.02; 5.64) for lager, and at 4.77 (95% CI: 4.04; 5.50) for all beer (which includes dark beer).¹²⁹ This implies that for every R1/unit increase in the excise tax, the retail price increases by about R4.80/unit.¹²⁹ They also found that the pass-through coefficient on 750 ml bottles is substantially lower than that of 330 ml (or 340 ml) cans and 6 X 330 ml (or 6 X 340 ml).¹²⁹ The over-shifting of the excise tax had positive implications for public health policy, since they increased the effectiveness of alcohol taxes as a tool to reduce the (excessive) consumption of beer.

2. How have national brand owner shares changed over time?

Figure 11 of the current report shows national brand owner company shares by category as a percentage of total volume in 2023. If it is possible to get historic data from Euromonitor International, one could investigate how the market shares have changed over several decades. This could be done by looking at total volumes and by total value.

3. Investigate value and market trends in the spirit markets

Figure 21 shows spirit sales as a percentage of total litres for the various types of spirits for the period 2001 to 2022. These data were obtained from the 2022 SAWIS report. If the data exist (possibly from SAWIS or from Euromonitor International), it would be interesting to investigate trends over time in the value (as opposed to the volume) of these types of spirits. There is a lot of variation in the value of spirits, and there is an aspirational premium element to the higher-value products. Data from Statistics South Africa could also be used to see how prices have changed over time.

4. Investigate illicit trade in the alcohol market

The WHO estimated that 15.9% of the alcohol consumed in South Africa in 2018 was unrecorded.¹⁹ Euromonitor Consulting estimated that, in 2020, 22% of the alcohol market by volume in South Africa was illicit.³² Euromonitor's 22% estimate has been gaining traction in the media.^{xiii} Euromonitor's research on illicit trade in South Africa was funded by the alcohol industry, specifically South African Liquor Brand owners Association (SALBA), the Beer Association of South Africa (BASA) and VINPRO.⁹³ The underlying message in these reports is that the illicit trade in alcohol is increasing. Independent estimates are necessary.

5. Alcohol excise tax modelling

We now know what the tax gaps are (e.g., wine is taxed too low). If we close the tax gaps, what will be the impact on consumption and revenue? This question could be answered using excise tax modelling, like the Tobacco Excise Tax Simulation Model (TETSIM) used for tobacco modelling. We have disaggregated excise tax revenue data from the secure data lab in Pretoria. We have data on the different sub-categories of the various alcohol products (not just spirits, but all the sub-categories). We would do a different, more comprehensive TETSIM-like model for each of the different types of alcohol, e.g., gin, vodka, whiskey, beer, ciders, perries, RTDs, wine, etc. We will use our knowledge and insights from TETSIM modelling to estimate the likely impact of changing excise tax rates and excise tax structures on consumption, excise tax revenue and VAT revenue.

At an aggregate level this analysis can be done relatively easily. However, it gets complicated when we estimate what the impact will be on different groups of people, possibly to the extent that it may not be feasible. What are the average and peak consumption of different income groups? And how would these different population groups respond to a change in the prices and/or taxes? This would require different price elasticity estimates for each group, something that we currently only have a cursory understanding of. We would have to engage with colleagues inside and outside REEP who have used epidemiological models to estimate the impact of changes in alcohol policy and/or other interventions on those groups.

^{xiii}<https://dailyinvestor.com/south-africa/56985/edward-kieswetter-watches-r11-billion-disappear/?source=newsletter>

6. Explore MAPS data in more detail

MAPS has two questionnaires: one face-to-face, and one for the respondent to complete.

Alcohol questions in face-to-face questionnaire (Tablet-Assisted Personal Interview (TAPI)):

M13 ASK ALL: Have you personally consumed liquor or alcohol in the PAST 4 WEEKS?

M14 ASK if 1 in M13: Have you personally consumed liquor or alcohol in the PAST 7 DAYS?

From these questions, one can estimate current drinking, but not heavy episodic drinking.

Alcohol questions in the Brands and Behaviour questionnaire (that can be completed by the respondent him/herself on paper or online):

117a. How many tots of cane have you personally consumed during the PAST 7 DAYS?

117b. Which brands or brands of cane have you personally consumed in the PAST 7 DAYS?

The same questions are asked for beer, sorghum beer, ciders, liqueur, cane, gin, craft gin, vodka, brandy, cognac, whisky, rum, other spirits, spirit cooler, flavoured alcoholic beverages, natural table wine, fortified wine, sparkling wine/champagne.

The problem with the current wording is that one won't be able to determine if people drink small amounts regularly, or if they binge on one night a week. e.g., for the question '*How many tots of XXX have you personally consumed in the PAST 7 days?*', a response of 7 could be (1) one tot a night, or (2) seven tots in one night (binge drinking).

We estimated per capita consumption (Figure 13), but this does not answer the question on the average contribution of different beverage types to heavy episodic drinking episodes.

We could ask the researchers who run the MAPS survey (with whom we have a good relationship) to add questions such as: '*In the past 7 days, on how many days did you consume product X?*' so we can use the data to estimate binge drinking.

7. Which alcoholic beverages are causing the greatest amount of harm? Repeat an International Alcohol Control (IAC)^{73 74} study in South Africa.

Related to point 6 above, an investigation of the average contribution of different beverage types to heavy episodic drinking would help inform excise tax policy. The International Alcohol Control (IAC) study was the only survey that we found that looked at what people drink in heavy episodic drinking sessions.⁷³ The Tshwane study indicates that, among heavy drinkers (n=394), the most commonly reported primary beverages consumed at the primary drinking location among adults age 18+ were beer (57.5%), cider (15.6%), wine (13.9%), and spirits (10.2%), and that, together, heavy drinkers drank 93.9% of total absolute alcohol consumed by drinkers.⁷³ Has this changed in the last decade? Would it be useful and possible to repeat the IAC survey, and enlarge the sample to be either

provincially representative (for some strategically important provinces (like the Western Cape and Gauteng) or nationally representative?

8. An analysis of beverages that fall under each of the 22.06 tariff sub-headings

Firstly, a list of beverages that fall under the 22.06 tariff sub-headings is essential (Table 24 shows the list of definitions, but we need brand names in each of these definitions). Without this, the analysis is quite meaningless (for example in Tables 25 and 26, and Figures 40 and 41). Since 2016/17, the 'other' category (22.06.00.90) is taxed at the spirits rate, while all the other 22.06 categories are taxed at the beer rate (except sparkling wine and Traditional African beer). We know from the 2018 Supreme Court judgement that Brutal Fruit and the like should be falling under the 22.06.00.90 sub-heading. This should have resulted in the revenue in this category increasing, but we do not see this in the disaggregated excise revenue data. It is likely that many other fermented beverages are being classified in the wrong 22.06 category, and thereby paying the lower beer rate tax.

9. Prevalence of sorghum beer and sorghum beer consumption, and whether or not tax is being collected on these products

Excise revenue data indicate that revenue collected from Traditional African beer and Traditional African beer powder is very small. Is this because consumption has decreased, or because taxes on these products are not being collected?

10. What factors contributed to the persistence of the dop system legacy in South Africa?
How were other countries that had similar payment systems able to limit persistence?

The legacy of liquor payment (dop) systems is gaining attention amongst social scientists and economic historians. The detrimental socioeconomic and health effects of the dop system in South Africa are still evident today and have persisted long after this form of remuneration was banned.¹³⁰⁻¹³² South Africa was, however, not the only country where, historically, alcohol formed part of labour compensation. Beer was served as an incentive for patient labour in Victorian asylums around the mid-1880s. Even in very old civilizations, alcohol was a form of compensation for work in Mesopotamia during the third Dynasty of Ur (2111 – 2003 B.C.).^{133 134} Ireland, with its high prevalence of FAS,²³ had analogous practices to exploit labour. The custom of 'treating' was common. After receiving their wages, workers would buy alcohol in public houses 'as compensation to the master of the house for the change' – essentially breaking down payment into usable amounts of money.¹³⁵ What factors contributed to the persistence of the dop system legacy in some countries, like South Africa, or limited it in others? Understanding these factors may assist in forming policy recommendations aimed at reducing factors that contribute to the persistence of the dop system legacy that prevails today.

11. Could the UK model work in South Africa?

The UK model tries to equalise the excise tax per unit of alcohol for all categories of alcohol, where the alcohol content is 8.5% or above (this is for beer, wine, and spirits). (For products with less than 8.5% ABV it is more complicated). This model greatly simplifies the tax structures. It assumes that all alcohol, irrespective of the type of beverage in which it is consumed, is equally harmful. From a public health perspective, this is a very rational approach. Such a model is very different from South Africa's model, where different beverages are taxed differently. While it seems unlikely that such a model would pass political muster in South Africa, it would be a useful scenario to model (see point 5) to determine the likely consumption and fiscal impact, should South Africa decide to follow this route.

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**. Even though they 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. While 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'.

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Appendix 1: Beer prices and excise taxes: 2014–2023

Table A1 | Mean real price of beer per litre of beverage by brand (Rands, base: 2021)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Brand A	35.2	38.0	38.5	36.7	35.8	35.1	37.7	37.8	36.9	36.7
Brand B	32.7	35.3	35.5	34.5	35.3	35.5	37.5	37.0	35.1	33.1
Brand C	33.0	33.2	34.1	33.2	33.4	33.7	32.8	32.7	32.0	30.5
Brand D	36.2	38.9	38.1	36.8	37.7	36.9	37.2	34.9	34.8	37.6
Brand E	35.5	37.8	37.2	35.3	34.4	34.5	35.7	34.5	32.8	32.2
Brand F	45.0	48.9	49.8	49.6	46.3	46.9	49.2	56.3	55.4	
Brand G	34.1	34.2	34.6	32.8	33.2	33.4	34.8	32.4	30.4	35.0
Brand H	43.9	47.2	46.1	44.5	45.5	45.6	45.0	43.6	44.7	47.1
Brand I			28.7	23.8	23.1	23.9	21.2	28.9	28.5	30.2
Brand J	38.9	41.0	39.6	39.7	44.5	45.8	39.9	40.7	43.9	
Brand K	60.3	62.2	63.5	56.1	51.4	49.7	47.5	37.0	36.3	
Brand L	36.1	39.5	39.7	38.4	39.0	38.7	39.3	37.5	38.7	42.3
Total	35.7	37.8	38.0	36.2	36.4	36.3	36.9	36.2	35.0	34.5

Table A2 | Mean real price of beer per litre by packaging type (Rands, base: 2021)

Totals										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
330ml	41.7	44.2	44.7	43.3	44.5	44.5	45.2	43.7	43.0	44.7
340ml	38.7	41.0	40.7	39.4	39.9	40.7	43.1	42.1	40.7	41.3
440ml	35.7	38.0	38.2	36.0	37.2	37.7	39.3	38.8	37.1	43.5
500ml				30.2	29.9	30.9	33.4	32.5	30.8	31.9
6 X 330ml	36.4	39.0	39.2	37.9	38.7	38.8	39.6	38.2	38.2	38.5
6 X 340ml	33.5	35.3	35.3	34.7	36.2	36.2	37.8	37.1	36.5	36.8
6 X 440ml	30.8	33.5	33.1	32.2	33.2	33.3	33.1	32.9	34.4	35.5
6 X 500ml				27.3	27.8	27.4	29.4	29.4	28.3	28.0
660ml	30.5	30.9	30.7	30.7	31.7	31.5	30.9	28.7	29.3	29.6
750ml	25.3	25.4	25.2	25.3	25.4	24.7	23.2	24.9	24.6	23.9
24 X 330ml							32.0	32.0	32.5	32.4
24 X 450ml								56.3	55.4	
Total	35.7	37.8	38.0	36.2	36.4	36.3	36.9	36.0	35.0	34.5

Number of observations										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
330ml	1 847	1 915	1 945	1 653	1 414	1 319	618	1 051	1 212	78
340ml	805	762	781	719	673	696	361	699	785	51
440ml	780	934	972	743	450	426	227	315	518	30
500ml	66	54	13	224	462	524	346	740	876	67
6 X 330ml	1 952	1 827	1 810	1 534	1 376	1 298	1 255	1 939	1 239	94
6 X 340ml	1 016	924	868	774	667	648	488	518	645	18
6 X 440ml	478	575	605	376	349	317	211	412	432	24
6 X 500ml	0	0	0	148	290	389	383	241	281	17
660ml	326	370	370	350	320	313	117	222	322	15
750ml	841	798	756	855	798	778	380	875	1 023	104
24 X 330ml	0	0	0	0	0	0	221	724	946	190
24 X 450ml								88	22	
Total	8 111	8 159	8 120	7 376	6 799	6 708	4 607	7 824	8 301	688

Table A3 | Real beer prices by packaging type and brand

330ml										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Brand A	40.4	42.3	43.6	42.2	42.3	43.1	44.7	43.2	44.0	45.1
Brand B	38.2	41.2	42.3	40.9	42.8	42.8	46.7	45.6	42.5	41.9
Brand C	37.9	37.8	39.2	38.9	40.2	41.0	41.6	41.6	40.2	39.5
Brand D	41.4	45.9	43.7	42.6	44.2	42.8	43.3	40.8	39.7	43.0
Brand E	42.8	43.3	43.3	40.9						
Brand F	48.7	50.9	51.2	50.6	51.3					
Brand G	37.8	38.4	39.1	38.5	39.1	40.3	40.8	42.2	41.2	42.2
Brand H	48.1	51.7	50.2	48.8	50.4	50.1	49.7	47.6	48.0	50.7
Brand I			26.4							
Brand J	42.0	45.1	44.0	44.1	46.5	44.0	42.0		44.2	
Brand K	61.7	64.0	65.5	58.6	53.8	51.1	48.6			
Brand L	41.1	44.4	45.3	44.8	46.4	46.1	45.7	44.8	44.8	46.4
Total	41.7	44.2	44.7	43.3	44.5	44.5	45.2	43.7	43.0	44.7

340ml										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Brand A	41.2	45.9	44.6	40.8	40.6	39.9	38.2			
Brand B	37.3	40.3	40.6	39.3	40.2	41.4	43.3	44.1	41.9	42.3
Brand C	37.3	37.5	37.7	37.4	37.6	38.5	40.0	39.9	38.8	37.8
Brand D	40.6	44.3	43.3	41.4	43.4	42.6	45.5	40.1	40.1	46.0
Brand E	39.9	44.0	42.9	40.9	40.2	41.2	42.5	42.0	40.5	41.0
Brand G	39.9	39.7	40.4	36.7	38.8	40.0	39.8			
Brand H	47.4	49.6	49.5	49.6						
Brand J									45.4	
Brand L	39.0	46.0	42.4	43.0						
Total	38.7	41.0	40.7	39.4	39.9	40.7	43.1	42.1	40.7	41.3

500ml										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Brand A				34.5	34.4	35.4	34.1			
Brand B				31.6	32.1	33.3	35.4	34.2	31.6	33.2
Brand C				29.7	29.4	30.3	31.2	30.6	29.6	28.7
Brand D				34.2	33.0	35.5	36.5	32.5	32.2	33.3
Brand E						32.9	33.6	31.8	29.8	31.6
Brand F	43.7	46.7	37.8	34.1						
Brand G				28.3	28.7	29.1	30.7	30.5	30.2	31.2
Brand I				26.3	26.8	28.3	28.9	29.9	28.7	31.0
Brand J	41.3	40.6						38.7		
Brand K					35.8	39.0				
Brand L										39.3
Total	43.2	45.1	37.8	30.2	29.9	30.9	33.4	32.5	30.8	31.9

6 X 330ml										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Brand A	35.3	39.0	38.7	36.8	37.5	36.4	37.3	36.1	38.4	39.5
Brand B	33.3	36.5	36.4	35.9	38.1	38.5	39.8	38.8	39.0	39.5
Brand C	33.2	33.9	35.0	34.4	35.6	36.7	37.1	36.2	34.3	32.7
Brand D	36.1	39.3	38.4	37.3	39.9	39.9	39.6	34.4	35.6	39.1
Brand E	36.8	38.8	38.2	37.0	37.9	39.0	38.2			

Brand F	44.0	48.7	51.0	50.4	45.4	46.9	49.2			
Brand G	33.4	33.7	34.8	34.2	35.6	36.1	37.0	35.9	34.6	33.1
Brand H	42.2	45.2	44.3	43.1	44.1	43.9	45.1	43.5	45.1	45.7
Brand J	39.3	41.1	37.4	36.8	37.4	51.5		42.0		
Brand K	57.4	59.2	60.3	52.1	48.6	48.5	43.9	40.2		
Brand L	35.6	39.3	39.6	38.9	39.1	38.3	39.5	38.7	40.6	43.4
Total	36.4	39.0	39.2	37.9	38.7	38.8	39.6	38.2	38.2	38.5

6 X 340ml

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Brand A	34.6			34.4	34.5	35.0				
Brand B	32.5	35.6	35.7	35.3	36.8	37.0	38.3	37.2	37.0	38.9
Brand C	32.4	32.6	33.9	33.2	34.2	34.7	35.3	35.2	33.6	33.9
Brand D	34.6	38.3	36.9	36.0	38.2	37.4	38.6	37.5	37.6	38.3
Brand E	35.5	38.2	36.6	35.8	36.8	37.1	37.2	37.2	37.1	38.8
Brand G	34.4	36.0	34.7	33.8	36.1	36.0	37.9	38.9	35.6	
Brand H	42.5			39.3		32.1	37.3	38.4	39.8	
Brand J	35.6									
Brand L	34.5	32.9	31.5	35.0	35.2					
Total	33.5	35.3	35.3	34.7	36.2	36.2	37.8	37.1	36.5	36.8

6 X 440ml

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Brand A	30.2	33.7	33.1	31.4	30.4	30.5	32.0	31.0	32.1	33.9
Brand B	29.8	32.8	32.6	31.1			6.7			
Brand C	29.5	29.7	30.1	28.5	28.2					
Brand D	30.6	33.4	32.3	30.7			32.2			
Brand E	31.1	33.8	32.7	31.1	31.9					
Brand G								29.2	29.3	
Brand H	35.8	40.2	40.6	38.0	39.1	39.0	39.4	38.1	37.7	38.8
Brand J						35.2	34.9		35.4	
Brand L	30.6	34.1	33.4	32.4	33.3	33.4	34.6	34.8	36.1	36.8
Total	30.8	33.5	33.1	32.2	33.2	33.3	33.1	32.9	34.4	35.5

6 X 500ml

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Brand B				28.2	28.6	28.9	31.2	30.2	29.3	29.2
Brand C				26.1	26.7	26.9	27.8	26.8	26.7	26.2
Brand D				28.1	29.0	27.7	30.9	30.8	29.7	29.5
Brand E				29.9	27.6	26.6	28.4	29.3	28.7	
Brand G				24.7	26.0	26.3	27.5	26.8	26.1	
Brand I					24.8	24.9	25.0	24.4	23.3	
Total				27.3	27.8	27.4	29.4	29.4	28.3	28.0

660ml

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Brand A	30.1	30.2	29.6	27.9	28.9	29.2	28.1	27.6	28.9	
Brand B		26.3	27.0	32.4						
Brand C		24.3	25.1				34.1	34.1	31.9	31.0
Brand D	31.4	32.2	32.4	32.3	32.3	31.2	29.9	28.2	28.7	27.9
Brand E		29.4	30.4							
Brand H	34.1	33.5	32.3	33.8	36.0	37.0	36.2	33.8	37.1	37.4

Brand J	31.0	32.0	31.4	30.4						
Brand L	28.9	29.9	29.4	29.0	30.6	30.8	30.4	28.4	30.6	
Total	30.5	30.9	30.7	30.7	31.7	31.5	30.9	28.7	29.3	29.6

750ml

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Brand A	25.6		24.0				26.9			
Brand B	25.1	25.8	25.8	26.4	27.2	25.6	24.5	27.7	27.3	25.6
Brand C	24.8	24.2	24.2	24.2	24.5	24.5	24.0	23.0	23.1	23.2
Brand D	24.8							22.4	23.0	
Brand E	26.4	27.4	27.4	27.9	27.3	27.5	28.7	27.9	27.6	27.4
Brand G	26.0	25.6	24.6	24.8	24.7	24.2	23.8	22.5	22.5	25.6
Brand H	29.2									
Brand I	.			17.9	17.5	15.9	16.8	19.6	19.1	18.6
Brand L	26.6									
Total	25.3	25.4	25.2	25.3	25.4	24.7	23.2	24.9	24.6	23.9

24 X 330ml

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Brand A							38.2	33.9	34.6	35.4
Brand B							32.0	30.8	31.5	31.6
Brand C							30.6	29.1	30.1	
Brand D							30.3	30.5	32.6	
Brand F								56.3	55.4	
Brand G							32.7	32.7	27.7	
Brand H							40.3	39.9	42.2	48.0
Brand I							32.1	31.6	31.3	31.3
Brand K								36.0	36.3	
Brand L							40.2	39.4	40.6	
Total							32.0	36.8	33.5	32.4

Table A4 | Real excise tax of beer per litre of beverage by brand (Rands, base: 2021)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Brand A	4.8	4.9	4.9	5.1	5.4	5.6	5.6	5.8	5.8	5.7
Brand B	5.3	5.4	5.4	5.6	5.9	6.1	6.2	6.4	6.4	6.3
Brand C	4.8	4.9	4.9	5.1	5.4	5.6	5.6	5.8	5.8	5.7
Brand D	3.8	3.9	4.0	4.1	4.3	4.5	4.5	4.6	4.6	4.6
Brand E	5.7	5.8	5.9	6.1	6.5	6.7	6.7	7.0	6.9	6.8
Brand F	4.8	4.9	4.9	5.1	5.3	5.6	5.5	5.8	5.7	
Brand G	4.8	4.9	4.9	5.1	5.4	5.6	5.6	5.8	5.8	5.7
Brand H	4.8	4.9	4.9	5.1	5.4	5.6	5.6	5.8	5.8	5.7
Brand I			4.0	4.1	4.3	4.5	4.5	4.7	4.6	4.6
Brand J	4.5	4.6	4.6	4.8	5.1	5.2	5.3	5.5	5.5	
Brand K	4.8	4.9	4.9	5.1	5.4	5.6	5.5	5.8	5.7	
Brand L	3.8	3.9	3.9	4.1	4.3	4.5	4.5	4.6	4.6	4.5
Total	4.7	4.8	4.8	5.0	5.3	5.5	5.5	5.7	5.6	5.4

Appendix 2: Specific excise duties: 2023/24 and 2024/25

Tariff item	Tariff subheading	Article description	2023/24 Rate of excise duty	2024/25 Rate of excise duty
104.00		PREPARED FOODSTUFFS; BEVERAGES, SPIRITS AND VINEGAR; TOBACCO		
104.01	19.01	Malt extract; food preparations of flour, groats, meal, starch or malt extract, not containing cocoa or containing less than 40 per cent by mass of cocoa calculated on a totally defatted basis, not elsewhere specified or included; food preparations of goods of headings 04.01 to 04.04, not containing cocoa or containing less than 5 per cent by mass of cocoa calculated on a totally defatted basis not elsewhere specified or included:		
104.01.05	1901.90.13	Preparations for making alcoholic beverages (excluding those of subheading 1901.90.20) as defined in Additional Note 2 to Chapter 19	34,7c/kg	34,7c/kg
104.01.10	1901.90.20	Traditional African beer powder as defined in Additional Note 1 to Chapter 19	34,7c/kg	34,7c/kg
104.05	21.06	Food preparations not elsewhere specified or included:		
104.05.10	2106.90.13	Preparations for making alcoholic beverages as defined in Additional Note 1 to Chapter 21	34,7c/kg	34,7c/kg
104.10	22.03	Beer made from malt:		
104.10.10	2203.00.05	Traditional African beer as defined in Additional Note 1 to Chapter 22	7,82c/li	7,82c/li
104.10.20	2203.00.90	Other	R127.40/li aa	R135.89/li aa
104.15	22.04	Wine of fresh grapes, including fortified wines; grape must (excluding that of heading 20.09):		
104.15.01	2204.10	Sparkling wine	R16.64/li	R17.83/li
104.15	2204.21	In containers holding 2 li or less:		
104.15	2204.21.4	Unfortified wine:		
104.15.03	2204.21.41	With an alcoholic strength of at least 4.5 per cent by volume but not exceeding 16.5 per cent by vol.	R5.20/li	R5.57/li
104.15.04	2204.21.42	Other	R257.23/li aa	R274.39/li aa
104.15	2204.21.5	Fortified wine:		
104.15.05	2204.21.51	With an alcoholic strength of at least 15 per cent by volume but not exceeding 22 per cent by vol.	R8.77/li	R9.40/li
104.15.06	2204.21.52	Other	R257.23/li aa	R274.39/li aa
104.15	2204.22	In containers holding more than 2 li but not more than 10 li:		
104.15	2204.22.4	Unfortified wine:		
104.15.13	2204.22.41	With an alcoholic strength of at least 4.5 per cent by volume but not exceeding 16.5 per cent by vol.	R5.20/li	R5.57/li
104.15.15	2204.22.42	Other	R257.23/li aa	R274.39/li aa
104.15	2204.22.5	Fortified wine:		
104.15.17	2204.22.51	With an alcoholic strength of at least 15 per cent by volume but not exceeding 22 per cent by vol.	R8.77/li	R9.40/li
104.15.19	2204.22.52	Other	R257.23/li aa	R274.39/li aa
104.15	2204.29	Other:		
104.15	2204.29.4	Unfortified wine:		
104.15.21	2204.29.41	With an alcoholic strength of at least 4.5 per cent by volume but not exceeding 16.5 per cent by vol.	R5.20/li	R5.57/li
104.15.23	2204.29.42	Other	R257.23/li aa	R274.39/li aa
104.15	2204.29.5	Fortified wine:		
104.15.25	2204.29.51	With an alcoholic strength of at least 15 per cent by volume but not exceeding 22 per cent by vol.	R8.77/li	R9.40/li
104.15.27	2204.29.52	Other	R257.23/li aa	R274.39/li aa
104.16	22.05	Vermouth and other wine of fresh grapes flavoured with plants or aromatic substances:		
104.16	2205.10	In containers holding 2 li or less:		
104.16.01	2205.10.10	Sparkling	R16.64/li	R17.83/li

Source: Republic of South Africa: National Treasury. 2024. 2024 Budget Review (annexure Table C.4).
<https://www.treasury.gov.za/documents/National%20Budget/2024/review/FullBR.pdf>

Appendix 2: Specific excise duties: 2023/24 and 2024/25 (continued)

Tariff item	Tariff subheading	Article description	2023/24 Rate of excise duty	2024/25 Rate of excise duty
104.16	2205.10.2	Unfortified:		
104.16.03	2205.10.21	With an alcoholic strength of at least 4.5 per cent by volume but not exceeding 15 per cent by vol.	R5.20/li	R5.57/li
104.16.04	2205.10.22	Other	R257.23/li aa	R274.39/li aa
104.16	2205.10.3	Fortified:		
104.16.05	2205.10.31	With an alcoholic strength of at least 15 per cent by volume but not exceeding 22 per cent by vol.	R8.77/li	R9.40/li
104.16.06	2205.10.32	Other	R257.23/li aa	R274.39/li aa
104.16	2205.90	Other:		
104.16	2205.90.2	Unfortified:		
104.16.09	2205.90.21	With an alcoholic strength of at least 4.5 per cent by volume but not exceeding 15 per cent by vol.	R5.20/li	R5.57/li
104.16.10	2205.90.22	Other	R257.23/li aa	R274.39/li aa
104.16	2205.90.3	Fortified:		
104.16.11	2205.90.31	With an alcoholic strength of at least 15 per cent by volume but not exceeding 22 per cent by vol.	R8.77/li	R9.40/li
104.16.12	2205.90.32	Other	R257.23/li aa	R274.39/li aa
104.17	22.06	Other fermented beverages (for example, cider, perry, mead, saké); mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included:		
104.17.03	2206.00.05	Sparkling fermented fruit or mead beverages; mixtures of sparkling fermented beverages derived from the fermentation of fruit or honey; mixtures of sparkling fermented fruit or mead beverages and non-alcoholic beverages	R16.64/li	R17.83/li
104.17.05	2206.00.15	Traditional African beer as defined in Additional Note 1 to Chapter 22	7,82c/li	7,82c/li
104.17.07	2206.00.17	Other fermented beverages, unfortified, with an alcoholic strength of less than 2.5 per cent by volume	R127.40/li aa	R135.89/li aa
104.17.09	2206.00.19	Other fermented beverages of non-malted cereal grains, unfortified, with an alcoholic strength of at least 2.5 per cent by volume but not exceeding 9 per cent by vol.	R127.40/li aa	R135.89/li aa
104.17.11	2206.00.21	Other mixtures of fermented beverages of non-malted cereal grains and non-alcoholic beverages, unfortified, with an alcoholic strength of at least 2.5 per cent by volume but not exceeding 9 per cent by vol.	R127.40/li aa	R135.89/li aa
104.17.15	2206.00.81	Other fermented apple or pear beverages, unfortified, with an alcoholic strength of at least 2.5 per cent by volume but not exceeding 15 per cent by vol.	R127.40/li aa	R135.89/li aa
104.17.16	2206.00.82	Other fermented fruit beverages and mead beverages, including mixtures of fermented beverages derived from the fermentation of fruit or honey, unfortified, with an alcoholic strength of at least 2.5 per cent by volume but not exceeding 15 per cent by vol.	R127.40/li aa	R135.89/li aa
104.17.17	2206.00.83	Other fermented apple or pear beverages, fortified, with an alcoholic strength of at least 15 per cent by volume but not exceeding 23 per cent by vol.	R102.89/li aa	R109.76/li aa
104.17.21	2206.00.84	Other fermented fruit beverages and mead beverages including mixtures of fermented beverages derived from the fermentation of fruit or honey, fortified, with an alcoholic strength of at least 15 per cent by volume but not exceeding 23 per cent by vol.	R102.89/li aa	R109.76/li aa
104.17.22	2206.00.85	Other mixtures of fermented fruit or mead beverages and non-alcoholic beverages, unfortified, with an alcoholic strength of at least 2.5 per cent by volume but not exceeding 15 per cent by vol.	R127.40/li aa	R135.89/li aa

Source: Republic of South Africa: National Treasury. 2024. 2024 Budget Review (annexure Table C.4).
<https://www.treasury.gov.za/documents/National%20Budget/2024/review/FullBR.pdf>

Appendix 2: Specific excise duties: 2023/24 and 2024/25 (continued)

Tariff item	Tariff subheading	Article description	2023/24 Rate of excise duty	2024/25 Rate of excise duty
104.17.25	2206.00.87	Other mixtures of fermented fruit or mead beverages and non-alcoholic beverages, fortified, with an alcoholic strength of at least 15 per cent by volume but not exceeding 23 per cent by vol.	R102.89/li aa	R109.76/li aa
104.17.90	2206.00.90	Other	R257.23/li aa	R274.39/li aa
104.21	22.07	Undenatured ethyl alcohol of an alcoholic strength by volume of 80 per cent vol. or higher; ethyl alcohol and other spirits, denatured, of any strength:		
104.21.01	2207.10	Undenatured ethyl alcohol of an alcoholic strength by volume of 80 per cent vol. or higher	R257.23/li aa	R274.39/li aa
104.21.03	2207.20	Ethyl alcohol and other spirits, denatured, of any strength	R257.23/li aa	R274.39/li aa
104.23	22.08	Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80 per cent vol.; spirits, liqueurs and other spirituous beverages:		
104.23	2208.20	Spirits obtained by distilling grape wine or grape marc:		
104.23	2208.20.1	In containers holding 2 li or less:		
104.23.01	2208.20.11	Brandy as defined in Additional Note 7 to Chapter 22	R231.51/li aa	R246.95/li aa
104.23.02	2208.20.19	Other	R257.23/li aa	R274.39/li aa
104.23	2208.20.9	Other:		
104.23.03	2208.20.91	Brandy as defined in Additional Note 7 to Chapter 22	R231.51/li aa	R246.95/li aa
104.23.04	2208.20.99	Other	R257.23/li aa	R274.39/li aa
104.23	2208.30	Whiskies:		
104.23.05	2208.30.10	In containers holding 2 li or less	R257.23/li aa	R274.39/li aa
104.23.07	2208.30.90	Other	R257.23/li aa	R274.39/li aa
104.23	2208.40	Rum and other spirits obtained by distilling fermented sugarcane products:		
104.23.09	2208.40.10	In containers holding 2 li or less	R257.23/li aa	R274.39/li aa
104.23.11	2208.40.90	Other	R257.23/li aa	R274.39/li aa
104.23	2208.50	Gin and Geneva:		
104.23.13	2208.50.10	In containers holding 2 li or less	R257.23/li aa	R274.39/li aa
104.23.15	2208.50.90	Other	R257.23/li aa	R274.39/li aa
104.23	2208.60	Vodka:		
104.23.17	2208.60.10	In containers holding 2 li or less	R257.23/li aa	R274.39/li aa
104.23.19	2208.60.90	Other	R257.23/li aa	R274.39/li aa
104.23	2208.70	Liqueurs and cordials:		
104.23	2208.70.2	In containers holding 2 li or less:		
104.23.21	2208.70.21	With an alcoholic strength by volume exceeding 15 per cent by vol. but not exceeding 23 per cent by vol.	R102.89/li aa	R109.76/li aa
104.23.22	2208.70.22	Other	R257.23/li aa	R274.39/li aa
104.23	2208.70.9	Other:		
104.23.23	2208.70.91	With an alcoholic strength by volume exceeding 15 per cent by vol. but not exceeding 23 per cent by vol.	R102.89/li aa	R109.76/li aa
104.23.24	2208.70.92	Other	R257.23/li aa	R274.39/li aa
104.23	2208.90	Other:		
104.23	2208.90.2	In containers holding 2 li or less:		
104.23.25	2208.90.21	With an alcoholic strength by volume exceeding 15 per cent by vol. but not exceeding 23 per cent by vol.	R102.89/li aa	R109.76/li aa
104.23.26	2208.90.22	Other	R257.23/li aa	R274.39/li aa
104.23	2208.90.9	Other:		
104.23.27	2208.90.91	With an alcoholic strength by volume exceeding 15 per cent by vol. but not exceeding 23 per cent by vol.	R102.89/li aa	R109.76/li aa
104.23.28	2208.90.92	Other	R257.23/li aa	R274.39/li aa

Source: Republic of South Africa: National Treasury. 2024. 2024 Budget Review (annexure Table C.4).
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