



BEER ASSOCIATION
OF SOUTH AFRICA

PUBLICATION OF THE 2022 DRAFT TAX BILLS

Standing Committee on Finance
Public Comment
Presented by
The Beer Association of South Africa
(BASA)

14 September 2022





- Introduction and Industry Overview
- Beer Industry Value Chain
- Beer Industry Economic Contribution
- Standing Committee on Finance (SCoF) Tax Proposals:
 - Inflation Based Increase on Excise Duty
 - Strategic Policy Commitment
- Considerations





BEER ASSOCIATION
OF SOUTH AFRICA

Introduction - Membership of BASA





From Barley to Bar

BREWERIES INPUTS

Financial
Shareholders' equity, Capex, assets and borrowing

Natural
Land, water, energy, biodiversity and ecosystem

Human
Employees, training and benefits, safety and Code of Conduct

Manufactured
Buildings, breweries, packaging materials, transport, equipment and supply chain

Social
Communities, NGOs, customers, suppliers and trade groups

Intellectual
Brands, R&D, innovation, processes and corporate reputation

EMPLOYEES

DB Breweries employs around 500 people across New Zealand and Australia. We also support more than 800 jobs in the hospitality sector through our joint venture, Joylab.

AGRICULTURE

DB prioritises the local sourcing of all its raw ingredients including hops, malt and fruit.

BREWING

Brewing beer and cider is a craft. We own and operate six breweries and one cidery and are committed to reducing our environmental footprint in production.

PACKAGING

The majority of our beer and cider is served in bottles, cans and kegs. We are constantly looking to innovate, finding ways to optimise the production of our packaging materials, such as light-weighting and increasing the recycling and re-use rate.

BREWERIES OUTPUTS

Financial:
\$612 million economic contribution to New Zealand

Natural:
96% of procurement budget spent on local suppliers (based on top 100 suppliers)

Human:
99% compliance with Heineken's safety standards
Gender pay gap closed

Manufactured:
Seven operating sites
25% decrease in water consumption since 2007
47% reduction in emissions since 2008
96% of waste diverted from landfill

Social:
Over \$560,000 invested in community partnerships

Intellectual:
Leaders in low and no alcohol products
Strong overall reputation rating

DISTRIBUTION

DB's products are distributed both by road and by sea. Partnering with key logistics suppliers to join the Green Freight Asia program has helped to reduce greenhouse gas emission associated with our freight movements and will see continued reductions in future.

CUSTOMERS

DB works with its customers where ever possible to drive the moderation agenda through products, promotions and campaigns. We also provide support around licensing and maintaining commercial freedoms.

COMMUNITY

We strive to have a positive impact in our local communities. We contribute to the community through employment, paying taxes, working with local suppliers and proving direct and indirect donations to community groups.

CONSUMERS

DB provides consumers with product options to suit many occasions, including low and no alcohol beers and ciders. All of our packaging includes responsible consumption messaging, and many of our beers now have nutrition information panels. We also encourage recycling through LOVENZ.





Gross Domestic Product:

- 249 000 jobs overall, that is 1 in every 66 jobs nationwide.
- Contributed R 71 billion in gross value added ('GVA') to South Africa's Gross Domestic Product ('GDP'), or R1 for every R79 of the country's GDP.
- Roughly 1.3% of the country's GDP.

Downstream Services and Manufactures:

- R7,6 billion from service providers
- R6,7 billion manufactures of cans and bottles
- R6,7 billion in storage and transportation

Consumer Facing (Wholesale, Retail, Restaurant, Bars, etc):

- 68,000 jobs, or 0.4% of all employment in South Africa.
- R31 billion in taxes, or 2.3% of the total national tax.





BASA wishes to table 2 Proposals to SCoF:

1. Inflation Based Excise Increases
2. Strategic Excise Policy Commitment

*BASA additional 2 Proposals to Treasury:

1. Uniform application of an Alcohol-by-Volume excise duty rates.
2. Consistent Excise Duty payment terms.

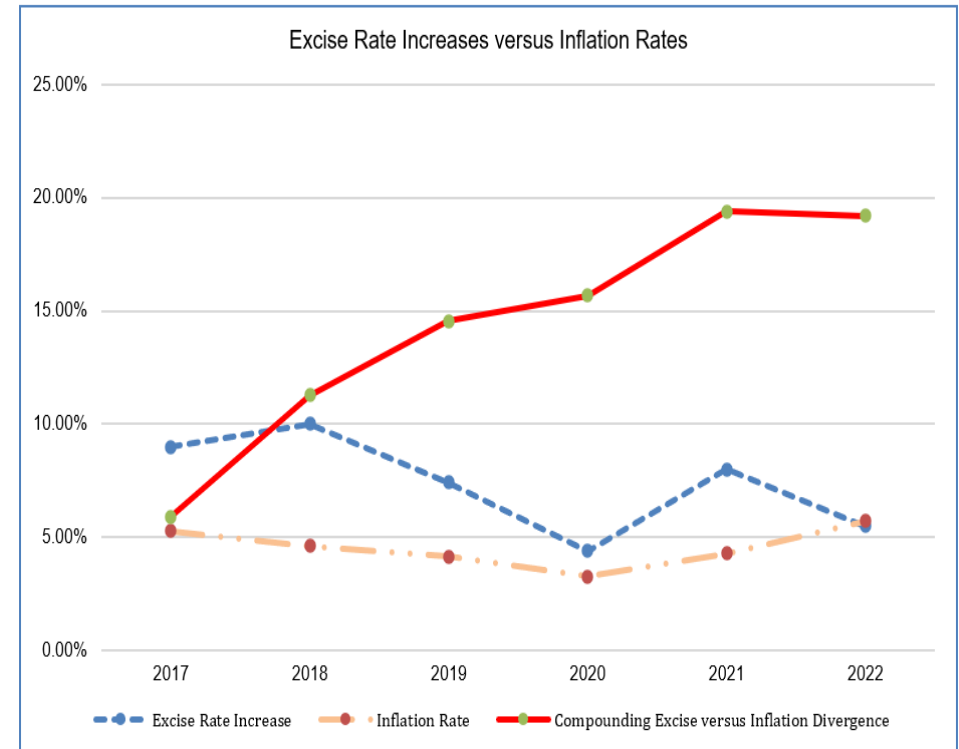
**Not discussed in SCoF Presentation.*





Inflation Based Increase:

- Tax Incidence
 - Divergence from the Inflation Rate of the relative year-on-year increases in Excise Duties has resulted in a cumulative variance of 17,03%.
- Impact on Value Chain
 - Excise Duties in beer are administered on a Duty at Source.
 - Excise Duty is ultimately levied at a multiplier effect on the consumer.





Beer Industry Survival:

- Entrepreneurial beer manufacturers (Craft Brewers) integral facet to the industry. Craft Brewers Entrepreneurship and the related Small, Medium and Micro Enterprises (SMME); is vital for the economic recovery of South Africa.
- Craft Beer sector has suffered immense loss during the Covid-19 Lockdowns which still continues.
- Craft Brewers on the brink of closing or have closed:
 - 60% on the brink of closure.
 - 30% closed.
- An above Inflation Rate Excise Duty Increase will be counterproductive to Economic Recovery.





Five Year Policy Commitment:

- Deviation by Government from its own fiscal policy is counterproductive to economic recovery as it decimates investor confidence.
- Organisation for Economic Cooperation and Development argues that the goal of Foreign Direct Investment policy must create an environment where investors may operate their businesses profitably and without taking unneeded risks.
- Position presented by Government in its “Economic Reconstruction and Recovery Plan” is to stimulate equitable and inclusive growth





- Reflection on tax incidence over the past six years and its compounding impact has shown a cumulative deviation of 17,03% (marginally down from 2021).
- This is a deviation from the Governments Tax Policy.
- The impact of Excise Duty increases on the Value Chain which is ultimately absorbed by the Consumer at nearly double the intended Excise Duty Rate.
- The Beer industry also incorporates the Craft Beer Entrepreneurs. Like other SMMEs, they are pivotal for the Economic Recovery of South Africa and will also draw value from an Inflation Based Increase in Excise Duty.
- Appeal for Strategic Excise Policy Commitment to stimulate Foreign Direct Investment and Economic Growth.





**BEER ASSOCIATION
OF SOUTH AFRICA**

Thank You

