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Reference
AVED CN2/2018

Date
29 March 2018



South African Revenue Service

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Dear Trader/Agent

HEADING OF LETTER

CLARIFICATION NOTE NO. 2: BUDGET REVIEW 2018 – AD VALOREM EXCISE DUTY: “INCREASE IN THE AD VALOREM EXCISE DUTY RATE”

1. The purpose of this note is to provide specific information and clarity on the Budget Proposals announced by the erstwhile Minister of Finance in the 2018 Budget Review, specifically focussing on the nature and impact of the amendments relating to ad valorem excise duty ('AVED').
2. **Details:**
 - a) The following amendments formed part of the Budget Review 2018 announced by the Minister of Finance on 21 February 2018 -
 - i) **AMENDMENT 1:**
 - A) MAXIMUM AVED RATE FOR MOTOR VEHICLES HAS BEEN INCREASED FROM 25% TO 30% AS FROM 1 APRIL 2018
 - B) **IMPACT: AMENDMENT 1**
 - I) Until 31 March 2018, the maximum AVED rate on motor vehicles is capped at 25%.
 - II) From 1 April 2018, the AVED rate will be capped at a maximum of 30%.
 - III) Effectively, the value of vehicles of or greater than R1 281 250 recommended retail price (RRP) value mark before the 20% deduction will be capped at the maximum rate of 30%.
 - IV) The EXD01 return on the SARS eFiling platform and the accompanying CSV file will be updated to cater for this amendment.
 - V) Similarly, the external AVED policy document as currently on the SARS website will be updated to reflect the above amendment.
 - ii) **AMENDMENT 2:**
 - A) *THE RATES OF DUTY FOR AVED PRODUCTS HAVE BEEN INCREASED. ALL PRODUCTS CURRENTLY ATTRACTING A RATE OF DUTY OF 5% WILL FROM 1 APRIL 2018 ATTRACT A RATE OF DUTY OF 7%. FURTHERMORE, ALL PRODUCTS CURRENTLY ATTRACTING A RATE OF DUTY OF 7% WILL FROM 1 APRIL 2018 ATTRACT A RATE OF DUTY OF 9%.*
 - B) **IMPACT: AMENDMENT 2**
 - I) The general AVED rates have been amended, effective from 1 April 2018.
 - II) All goods currently at an AVED rate of 5% will with effect from 1 April 2018 have an AVED rate of 7%. Similarly, all goods currently at an AVED rate of 5% will with effect from 1 April 2018 have an AVED rate of 7%.
 - III) No other amendments were announced in terms of the percentage allowable deductions as per Rule 69.01(a) to the Act.
 - IV) The 1st EXD01 return that will reflect the above noted changes will be the return to be submitted on or before the 25th July 2018 covering the quarter 1 April 2018 – 30 June 2018 (Quarter 2 of 2018).
 - V) The EXD01 return to be submitted on or before 25 April 2018 must still reflect the current rates of duty.
 - VI) Similarly, the external AVED policy document as currently on the SARS website will be updated to reflect the above amendment.

VII) SARS will amend the EXD01 electronic return to reflect the duty changes in due course.

iii) **AMENDMENT 3:**

A) TO ENSURE THAT 'SMARTPHONES' REMAIN INCLUDED IN S1P2B AS DUTIABLE PRODUCTS.

B) **IMPACT: AMENDMENT 3**

I) Due to recent disputes regarding the classification of so-called multi-functional devices a new tariff item with sub-headings was included in Section B of Part 2 of Schedule No. 1 (S1P2B) to the Customs and Excise Act, 1964, to ensure the continued inclusion of these devices under AVED.

II) The amendments to S1P2B were published in the Government Gazette of 23 March 2018 with effective from 1 April 2018.

3. By way of an example, the following main articles per S1P2B are detailed below indicating the change from 1 April 2018:

Tariff Item	Tariff Subheading	Article Description	Current Rate of Excise Duty (till 31 March 2018)	New Rate of Excise Duty (with effect from 1 April 2018)
118.15	3303.00.90	Perfumes and Toilet Water	7%	9%
118.20	3304.10.90 3304.20.90 3304.30.90 3304.91.90 3304.99.90	Lip make up prep Eye make-up prep Manicure/ pedicure prep Powders Other	5% 5% 5% 5% 5%	7% 7% 7% 7% 7%
124.37	8517.11 8517.12	Line telephone sets Telephones for cellular network	7% 7%	9% 9%
124.75	85.28	Monitors/ Projectors/ Televisions	7%	9%

PLEASE REFER TO S1P2B FOR THE FULL LIST OF ARTICLES AND RATES OF DUTY. ALSO BE AWARE THAT THE NEW S1P2B RATES WAS PUBLISHED IN GOVERNEMENT GAZETTE OF 23 MARCH 2018.

4. **Reference documents:**

- a) National Treasury Budget Review 2018 dated 21 February 2018.
- b) Chapter 4: Revenue Trends and Tax Policy of the Budget Review 2018, Page 45 for the details. See heading: 'Raising luxury ad valorem excise duties'.
- c) Above documents are available on the National Treasury website under Budget Information – National Budget – 2018 – Budget Review

Sincerely,