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### **Wine, brandy excise 2016: Some relief amidst challenges**

Although the latest above-inflation hikes in excise duties may add to what is anticipated to be a challenging year ahead, the South African wine and brandy industry welcomed specific concessions on brandy and sparkling wine.

Excise hikes of 8% on both natural wine and sparkling wine and 8.2% on spirits were announced by the Minister of Finance, Pravin Gordhan, during the annual National Budget Speech on 24 February 2016.

“The 2016 wine grape harvest is expected to be significantly lower than previous years following a very hot, dry season and fire damage in some areas. Cost hikes pose further challenges in the year ahead,” said Rico Basson, managing director of VinPro, the representative organisation for close to 3 500 South African wine producers and cellars.

The introduction of a differential excise tariff for brandy of 10% lower than other spirits products, could, however provide a much needed boost to a category which has seen a decline in sales over the past few years. With five litres of wine required to produce one litre of brandy, the benefits of the differential tariff could also extend to wine producers.

“It is also encouraging to see that Government’s alcohol tax reform included a review of the way in which excise duty on sparkling wine is calculated,” said Basson.

The South African wine and brandy industry aims to grow its 1.2% contribution to national GDP and expand its 300 000 employment figure, as part of a new strategic framework, or Wine Industry Strategic Exercise (Wise).

“Achieving these targets will be dependent on Government’s willingness to collaborate with and support the industry – together creating a conducive environment for growth,” said Basson.

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**ENQUIRIES:** Lee-Anne Davidson, tel 021 276 0460, e-mail [leeanne@vinpro.co.za](mailto:leeanne@vinpro.co.za).