

Alleged illicit liquor dealer to face court

An alleged kingpin in the illicit liquor trade is expected to appear in the Johannesburg Magistrate's Court as the South African Revenue Service (SARS) clamps down on traders who evade paying duty on alcohol.



Illicit alcohol operators smuggle raw alcohol from sugarcane-rich countries such as Mozambique and Swaziland to SA and then use it to either produce their own brands or counterfeit well-known brands, evading excise duties. The duty on a 210l drum of alcohol is R22647.

The sale of illicit alcohol deprives SARS of income it would have received from excise duty and the cheap illicit alcohol could be unhealthy for consumers because there are sometimes no proper hygiene controls.

The defendant, who cannot be named until he appears in court, faces charges relating to value-added tax and customs offences.

South African Liquor Brand Owners Association (Salba) CEO Riaan Kruger said yesterday that his organisation estimated that the government lost R472m a year from the evasion of excise duty on spirits alone.

Kruger said the excise duty on alcohol was R37 per 750ml bottle of cane spirits, gin, vodka, brandy, whisky and rum.

Too cheap - then it's suspect

"Any bottle that is sold for less than R50 is suspicious."

SARS spokesman Adrian Lackay said the agency had launched an operation, which started in the Western Cape but would eventually become national, aimed at removing all suspected illicit alcohol products from shop shelves.

The operation also sought to find the source of illegal products and producers who did not pay excise duties for raw alcohol.

"We are also investigating a number of suspected syndicates. Our investigations show that in some shops certain licit brands have already been replaced by the illicit brands as retailers are being forced to sell 'cheapies' to stay in business," said Lackay.

"The 'cheapies' are, furthermore, not only available on retail shelves, but also 'infiltrating' clubs and other such venues where young people meet."

There were numerous brands being sold for a price lower than the cost of manufacturing.

"We are not in a position to name any of these brands at this stage, as part of the investigation is to determine whether excise duties had been paid," he said.

Law firm Edward Nathan Sonnenbergs was appointed by Salba to help identify illicit players and work with the authorities to fight the illicit traders.

Profits from evading excise duties far exceed losses from fines and seizures

Roy Gillespie, forensics manager at Edward Nathan Sonnenbergs, said legitimate alcohol products were subject to various levels of criminal exploitation with the primary practice being the avoidance of paying the high levels of excise duties on alcohol products, and also to profit from this.

"This does not happen by accident and has a simple explanation, that being, as with illicit cigarettes, the profits to be made from evading excise duties and the sale of illicit alcohol by far exceed the losses from fines and seizures by the authorities, which are regarded as a minor administrative obstacle," he said.

Gillespie said a tanker containing 30 000 litres of illicit alcohol amounted to an evasion of R3,2m in excise duties.

Source: *Business Day* via I-Net Bridge

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