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UCT experts propose narrower beer excise tax tiers to reduce alcohol harm

South Africa's alcohol taxation system requires urgent strengthening to address the devastating public health burden of harmful alcohol consumption, according to an analysis by researchers based at the University of Cape Town's (UCT) [Research Unit on the Economics of Excisable Products \(REEP\)](#). To effectively reduce alcohol-related harm, the researchers recommend narrower beer excise tax tiers than those proposed by Treasury, higher uplift factors (multipliers applied to the base excise tax rate), and predictable above-inflation tax increases.

On 13 November 2024, the National Treasury published its decadal discussion paper titled [The Taxation of Alcoholic Beverages](#). Currently, beer and spirits are taxed per litre of absolute alcohol (AA), while wine is taxed per litre of beverage, regardless of alcohol content. Treasury's main proposal is to introduce tiers so that beer and wine with higher alcohol content are taxed at higher rates aimed at encouraging consumers to substitute towards lower- or zero-alcohol alternatives and incentivising the industry to reformulate beverages to contain less alcohol.

"While we agree with the principle that higher-alcohol-content beverages should be taxed at a higher rate, we propose an alternative placement of the tiers. We focus primarily on the beer proposal and briefly assess Treasury's remaining recommendations," said Dr Nicole Vellios, a chief research officer at REEP.

Alcohol is a major public health problem in South Africa, contributing to violence, injuries and trauma presentations, mental disorders, infectious diseases, non-communicable diseases (NCDs), and premature mortality. Over 37 000 deaths annually (around 7% of all deaths) in South Africa are attributable to alcohol consumption. South Africa has the highest prevalence of foetal alcohol syndrome among 180 countries, estimated at nearly 600 cases per 10 000 people (6%). Increases in excise taxes raise prices. Global evidence concludes that pricing policies are highly effective in reducing alcohol-related harm.

According to the 2022 National Dietary Intake Survey, half of adult South Africans drink alcohol (64% of males and 37% of females). Among drinkers, 47% engage in heavy episodic drinking, defined as six or more drinks on at least one occasion during the past month for men, and four or more drinks for women. Given [beer's dominant market share](#)

and its role in heavy drinking, it should be taxed more effectively, particularly as it is currently taxed at half the rate applied to spirits.

Currently (2025/26), beer is taxed at a flat rate of R145.07 per litre of AA. A litre of beer with 4% AA is subject to R5.80 excise tax, while a beer with 6% AA is subject to R8.70 excise tax. By introducing tax tiers, Treasury aims to amplify the incentive to reduce AA. Treasury proposes three tax tiers for beer: (1) 0.5% to <2.5% AA, (2) 2.5% to <9% AA, and (3) 9% AA or more.

In the first tier, the excise tax is R145.07 per litre of AA; in the second tier, it increases to R174.08 per litre of AA (an uplift factor of 1.2); and under the third tier, to R203.10 per litre of AA (an uplift factor of 1.4). The selection of these thresholds was determined by technical factors related to the tariff books.

"These thresholds are poorly aligned with AA levels in the beer market because most beers (more than 95% of market share by sales volume) have an alcohol content between 4% and 6% AA. As a result, Treasury's proposal is unlikely to incentivise meaningful reformulation or reductions in alcohol content," said Dr Vellios.

To reduce AA consumption and related harm, the researchers propose narrower tiers and higher uplift factors that strengthen incentives for reformulation. Their modelling assumes that the beer industry is willing and able to expand the market for lower-alcohol beer, as demonstrated by the long-term success of Castle Lite (4% AA). Compared with the Treasury's approach, their proposal results in a substantially larger reduction in absolute alcohol consumption, while still increasing government revenue.

"Results from our modelling indicate that Treasury's proposal will reduce AA consumption by only 2%, while increasing revenue by 18%; the REEP proposal will reduce AA consumption by 16%, while still increasing revenue by 13%," said Mxolisi Zondi, a junior research officer at REEP.

Zondi said: "We support Treasury's proposal to increase alcohol excise taxes by four percentage points above inflation for the next five to ten years to reduce alcohol affordability. We recommend abolishing guideline excise tax burdens, which currently rely on industry-supplied price data and give the industry undue influence over tax outcomes."

He said that a dedicated tax category is also needed for instant beer powder, with rates aligned with those for malt beer. "Strong enforcement is essential: SARS should investigate tax compliance among sugar-fermented beverage producers, as unpaid excise taxes reflect implementation failures rather than policy flaws. Although alcohol revenue data show no evidence of a significant or growing illicit alcohol trade problem, we agree with Treasury that coordinated action among revenue administration, law enforcement, regulators, businesses and communities is essential to combat illicit trade," he added.

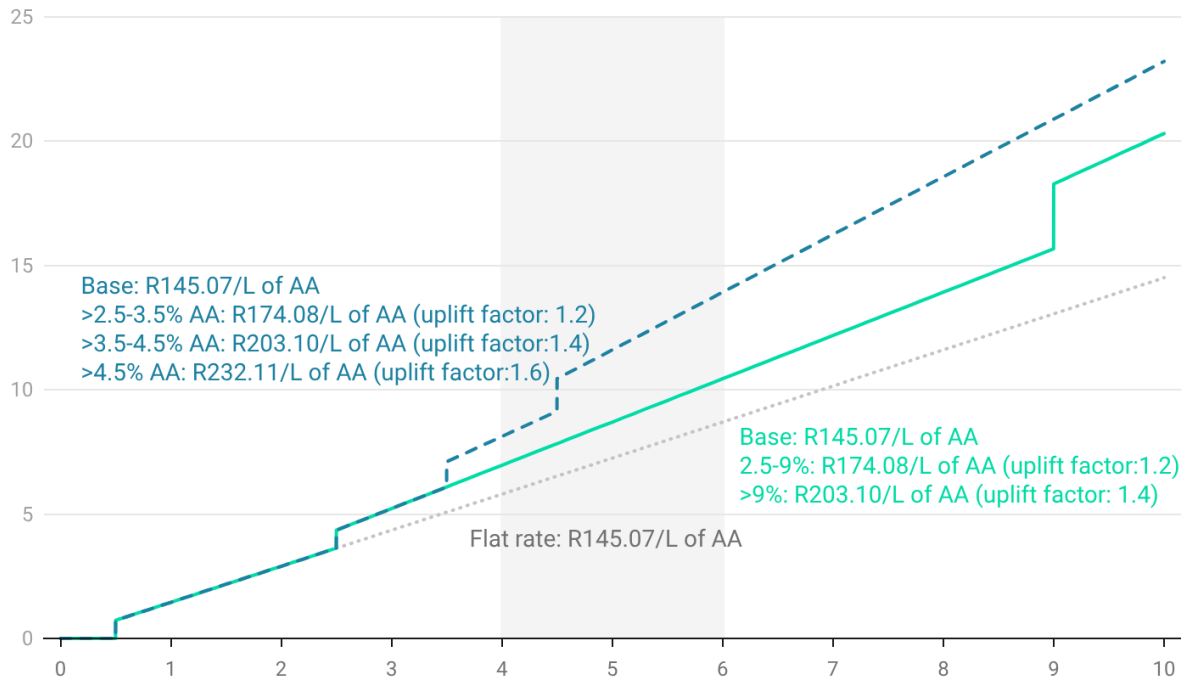
Professor Corné van Walbeek, director of REEP, said that excise taxes are among the most effective policy tools available to reduce alcohol harm. "Treasury's review presents a critical opportunity to strengthen South Africa's response to harmful alcohol consumption. More targeted beer tax tiers, predictable above-inflation increases and the removal of industry-linked tax benchmarks are essential to reduce preventable deaths, lower healthcare costs, curb violence and improve population health."

REEP vs NT proposal for beer excise tax by volume (1 litre of beverage)

---- Current structure, using 2025/26 excise tax by volume (1 litre of beverage)

— NT's proposal: Excise tax by volume (1 litre of beverage), with tiers

- - REEP's proposal: Excise tax by volume (1 litre of beverage), with tiers



The vertical grey shaded area denotes the 4–6% AA range typical of most beers.

Source: Research Unit on the Economics of Excisable Products, University of Cape Town. 2025/26 excise tax rate data from National Treasury's 2025 Annual Budget. National Treasury's proposed tiers from their 2024 'Taxation of Alcoholic Beverages' document. • Created with Datawrapper

Note: [This media release is a summary of an analysis published on Econ3x3.](#)

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