

What about the rest of the value chain?

Diesel tax refund for food manufacturers does not go far enough

In government's recent budget, it was announced that, with effect from 1 April 2023, manufacturers of foodstuffs (excluding beverages and ingredients used to produce beverages and certain other foodstuffs) may claim back the prescribed portion of the Road Accident Fund of the price paid for diesel if the diesel is used in the manufacturing process of the relevant foodstuffs. If diesel is used for a generator that powers any portion of or the whole food production process, then the producer can claim the relevant part of the Road Accident Fund levy paid. This will take effect from 1 April 2023, with refund payments taking place once the system is developed and will be in place for two years until 31 March 2025.

The Franchise Association of South Africa (FASA), which represents franchise brands that cut across fourteen different business sectors, is concerned that giving relief to only one section of the food chain is unfair to those retailers, transport businesses, QSRs and restaurants that rely on diesel to ensure food safety as it works its way to the consumer and who are also impacted by load-shedding. "While it's important that food manufacturers get relief at the source of food manufacturing," says Fred Makgato, CEO of FASA, "what about the rest of the food chain – from the refrigerated trucks that transport the food to

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retailer to the food retailers who make sure to keep that food fresh and safe for human consumption?"

This, alongside an announcement of no increase in the general fuel levy, is intended to benefit sectors such as agriculture, farming, forestry, fishing and mining sectors. Although government started implementing a diesel refund system in 2000 to provide full or partial relief from the general fuel levy and the Road Accident Fund (RAF), in light of the electricity crisis a similar refund on the RAF levy for diesel used in the manufacturing process, such as for generators, has been extended to the manufacturers of foodstuffs.

The fact that this new regulation applies only to pure manufacturing operations, and not to any premises at which wholesale or retail sales of foodstuffs takes place has been criticised as being too selective and not taking into consideration the rest of the value chain that is also impacted negatively by high fuel prices and load shedding. Retailers that rely on 24-hour generators have to put in place long-term energy generation plans – and it's

costing them dearly. Just in the last few months of 2022, two of the country's largest supermarket groups – Shoprite and Pick n Pay – spent a combined R906 million on diesel for generators at stores, with Woolworths adding another R90 million – taking it up to a staggering R1 billion.

"It is small businesses that will bear the brunt and be the biggest losers in this if they are also not assisted," says Tony Da Fonseca, CEO of OBC Better Butchery and past Chairman of FASA.

"Food retailers are already burdened with unrealistic energy increases, extended blackouts not only due to scheduled load shedding but



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also ailing infrastructure and constant cable theft in certain areas. The food retail sector has little choice but to run their generators and to insist on imposing road related taxes which is an absolute injustice.

“Retailers simply can’t absorb these costs. In a franchise environment where individual owners do not have the benefit of having a group ownership structure, these irregular and unexpected expenses are placing individual retailers under undue stress and destroying the ability of individual franchisees from growing and creating employment.

“The wholesale and retail sector employs 20% of the nation’s workforce and this attitude reflects

how little understanding government has on what it costs to secure the food value chain. OR they simply don’t care!”

Whilst the diesel levy refund is intended to alleviate some pressure off food prices, it doesn’t go far enough, according to Maria D’Amico, Chairperson of the Franchise Association of South Africa (FASA). “I hope that the manufacturers factor these rebates in their prices, so they are passed down and if they do, that the next tier i.e., the wholesalers and retailers also accommodate the prices down to the end user. If not, then it defeats the purpose of providing relief to the public where only the first tier i.e., the manufacturers receive some reprieve.” **SR**

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