



THE TOBACCO INSTITUTE OF SOUTHERN AFRICA

MEDIA RELEASE

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**TISA commends the Minister of Finance on maintaining
a stable excise rate on Tobacco Products**

Wednesday, 22 February 2012: Following today's budget speech, the Tobacco Institute of Southern Africa (TISA) would like to commend the Minister of Finance for maintaining a stable excise rate on tobacco products. Although the excise was increased by 58 cents per packet of 20 cigarettes, it was done to maintain the 52% tax incidence on tobacco products in line with current Government policy.

Francois van der Merwe, CEO of TISA, says: "By maintaining a stable excise rate of 52% Government has clearly demonstrated its understanding of the relationship between high taxes and the growth in illicit trade. This is also a clear indication of its continued commitment in addressing the ongoing problem of the illicit trade in tobacco products. We commend the National Treasury and SARS for their constructive approach."

The incidence of illicit cigarettes in South Africa has almost doubled over the past three years, and currently accounts for more than 25% of the total cigarette market. Independent research estimates that in 2011, a staggering 7.0 – 7.5 billion cigarettes were sold illegally in South Africa, up from 6 billion in 2010. This far exceeds the global average of between 8 and 12%.

More than 80% of the illegal cigarettes sold in South Africa are smuggled across the border from Zimbabwe without the payment of the applicable duties. The South African Government lost almost R4-billion in unpaid taxes (excise and VAT) in 2011 and more than R3-billion (excise and VAT) in 2010 as a result of the illegal trade in cigarettes. This is money that could provide a much-needed boost to public services and infrastructure.

Regular seizures and arrests are made by the South African Police Service (SAPS), in conjunction with the South African Revenue Services (SARS). Over 7000 raids and over 800 arrests were conducted in 2011, and approximately 1,2-billion illegal cigarettes were confiscated as a result.

“Apart from the financial losses to the fiscus and the legal industry, Government’s health objective - to reduce the incidence of smoking - is also severely compromised as the availability and greater abundance of cheap illegal cigarettes in the market, will further stimulate consumption, especially among the youth and poor people; the very people Government wants to protect.”

TISA remains committed to addressing the problem of illicit trade in tobacco products and has been working closely with various authorities such as SARS, SAPS, SANDF, NPA and other Law Enforcement Agencies to help combat the illicit trade in cigarettes and bring guilty parties to book. It is time the Health Ministry joins these efforts if it is to achieve its health objectives, which are supported by the industry.

*****Ends*****

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