



THE TOBACCO INSTITUTE OF SOUTHERN AFRICA

MEDIA RELEASE

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NATIONAL BUDGET DAY - EXCISE DUTIES ON TOBACCO PRODUCTS

The increases in tobacco product excise duties announced by the Minister of Finance today are:

- Cigarettes: **68c** New excise: **R 11.60** per pack of **20** cigarettes (was R 10.92) *(Up 6.2%)*
- Pipe Tobacco: **09c** New excise: **R 3.63** per **25** grams (was R 3.54) *(Up 2.5%)*
- Cigarette tobacco (roll your own): **87c** New excise: **R 13.03** per **50** grams (was R 12.16) *(Up 7.2%)*
- Cigars: **R 5.11** New excise: **R 61.87** per **23** grams (was R 56.76) *(Up 9.0%)*

The Tobacco Institute of Southern Africa (TISA) acknowledges the importance of excise duties on tobacco products as an extremely valuable source of income for the fiscus.

Said TISA's CEO, Francois van der Merwe: "We are grateful to Treasury for maintaining the 52% tax incidence on tobacco products. As taxes rise and products become more expensive, illegal operators use the opportunity to avoid paying taxes to Government – this places them in the position to sell products at substantially lower prices than the legal products on which taxes are paid. An unlevel playing field is created with the legal tobacco sector losing market share and Government losing revenue. Only the illicit operators flourish".

Independent research indicates that 7.9 billion illicit cigarettes were sold in South Africa in 2013, which represents 31% of the total market. Almost 60% of these illicit cigarettes were manufactured in South Africa. This is not smuggling but called 'excise manipulation' where some of the production is not declared and taxes not paid.

Great efforts have been made by law enforcement authorities to improve border controls between South Africa and Zimbabwe. Around 38% of illicit cigarettes were smuggled from Zimbabwe into South Africa last year, down from approximately 50% in 2012.

“TISA will continue to support government and law enforcement in their efforts to combat the illicit trade in tobacco products. TISA also calls on Government to step up effective control measures over manufacturing of tobacco products in order to ensure all volumes are declared and duties paid. TISA has made proposals in this regard while the Minister mentioned this already in his 2011 Budget speech. TISA also urges Government to give effect to the FCTC Protocol to combat illicit trade which was signed more than a year ago with no progress to date. No one party can fight this alone. We can achieve more by working together”, Van der Merwe concluded.

ENDS

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