



THE TOBACCO INSTITUTE OF SOUTHERN AFRICA

MEDIA STATEMENT

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TOBACCO LEVY INTRODUCED IN BOTSWANA CAUSE FOR CONCERN

The introduction of a 30% levy on tobacco and tobacco products by the Government of Botswana on 14 February 2014 is cause for concern not only for the country but also the Southern African Customs Union (SACU).

“This extreme, one-sided measure was introduced to reduce tobacco consumption in Botswana, but potentially creates the opposite effect, which is of great concern to us”, says Tobacco Institute of Southern Africa’s CEO, Francois van der Merwe.

“As costs of compliance increase, tobacco products become more expensive. Illegal operators seize the opportunity to make huge profits by avoiding the payment of the levies and other taxes imposed by Government. The potential for Botswana becoming a tobacco smugglers’ paradise is created because illicit operators can sell their products at substantially lower prices than the legal products on which the levies and taxes are paid. The playing field becomes uneven with Government losing revenue and the legal tobacco industry losing market share. Illicit trade already accounts for more than 30% in the SA market, which costs the SA fiscus R5 billion per year. This has a direct impact on the income received by Botswana in terms of the Revenue Sharing Agreement. Furthermore, health objectives are not achieved as the environment is created for tobacco consumption to increase because of cheap products in the market, rather than decrease. Everyone loses except the illicit operators.”

Apart from local concerns, the levy goes against the spirit of the SACU agreement as it eradicates trade harmonization and hampers the free flow of goods within the SACU community. The levy also seems to impose a larger burden on importers than local manufacturers, which is in contravention of the SACU agreement.

“TISA supports balanced regulation that is evidence-based, reasonable and workable. We fully appreciate the responsibility Governments have towards public health. We however fail to understand why there was no consultation by the Botswana Government with affected parties prior to the introduction of this levy. Only by

working together in public-private partnerships locally and in the region, can we achieve inclusive, workable solutions. Examples of such cooperation are the MoUs signed between TISA and individual revenue authorities in the SACU region to, within a legal framework, combat illicit trade in tobacco products.”

TISA has expressed its willingness to work with governments, revenue services and law enforcement in the region and we will continue to do so. “We call on the Botswana government to afford an opportunity for public-private sector engagement on the tobacco levy”, Mr van der Merwe concluded.

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