



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: **82c** New excise: **R 13.24** per pack of **20** cigarettes (was R 12.42)
- Pipe Tobacco: **27c** New excise: **R 4.16** per **25** grams (was R 3.89)
- Cigarette tobacco (roll your own): **94c** New excise: **R 14.88** per **50** grams (was R 13.94)
- Cigars: **R 4.32** New excise: **R 69.28** per **23** grams (was R 64.96)

Francois van der Merwe, CEO of the Tobacco Institute of Southern Africa (TISA), today commended the Minister of Finance for maintaining the 52% total tax incidence on tobacco products. “TISA is aware that the Minister of Finance, Honourable Pravin Gordhan, is under pressure to find ways of increasing fiscal revenues, however, we appreciate Treasury’s recognition of the need to balance taxation levels against the threat posed by a growing illicit tobacco trade,” Van der Merwe said. The legally compliant industry will contribute more than R12 billion this year to the fiscus which significantly enables and supports government to undertake its development projects.

“Taxes on tobacco products remain an extremely valuable source of income for governments all over the world. Unfortunately, a rise in taxes and product price increases as result, creates greater demand for lower priced products, thus creating opportunity which benefit illegal operators and organised crime syndicates, as they do not pay taxes. Our Government has lost in excess of R25 billion in revenue since 2010 due to illicit tobacco operators failing to pay the taxes due on tobacco products.”

Illegal operators are able to sell tobacco products at very low prices in comparison to legal products, which in turn stimulates consumption. “The consequence is that not only does the Government lose this much-needed tax revenue, but it also hampers its ability to achieve its health objective of reducing

consumption and deterring access by the youth. This is of great concern to TISA and its members who are actively engaging with the public and government to ensure that there is compliance with the Tobacco Products Control Act. The need for strong government and industry engagement and collaboration has never been as urgent as is currently the position to find a balance between the health agenda and the economic contribution by the sector.

Even though the increase is in line with inflation, it still creates opportunities for illegal operators to profiteer more at the expense of government and the legal industry. It is of crucial importance that government implement stronger administrative controls over manufacturers to ensure volumes produced are verified and declared to government.

“TISA remains committed to working constructively with all relevant Government agencies to combat the scourge of the illicit tobacco trade. We stand ready to share our expertise and knowledge of the tobacco sector, as well as the implementation of the World Health Organisation’s FCTC Protocol on Eliminating Illicit Trade in Tobacco Products. The Minister of Health signed the Protocol in January 2013 on behalf of South Africa, but it still needs to be ratified by Parliament,” concluded Van der Merwe.

ENDS

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