



**BLACK TOBACCO FARMERS
ASSOCIATION**

Stand Number 396 | Buffelspruit | Mpumalanga

PO Box 10602 | Shongwe Mission | Mpumalanga | 1331

E | info@btfa.co.za
C | 081 802 6354

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The Chairpersons
Standing Committee and Select Committees on Finance)
3rd Floor, 90 Plein Street
Cape Town 8000

Fiscal Framework and Revenue Proposals

Dear Sirs,

The Black Tobacco Farmers Association (BTFA) welcomes Finance Minister Tito Mboweni's announcement on slightly increased excise charges for cigarettes and related tobacco products. The BTFA represents more than 160 farmers in four provinces across the country; 10,000 jobs in some of the most historically disadvantaged areas; as well as support approximately 30,000 people.

We recognize that striking the correct balance in a budget is not easy. It is especially difficult when a Minister for Finance finds himself dealing with a very challenging economic climate. The natural temptation is to radically increase taxes in the hope of delivering much needed revenue to the national fiscus. We have in the past cautioned against such a step as it would have a devastating consequence on our members.

We believe that the moderate tax increase will go a long way in ensuring our survival by making sure that legal tobacco products remain relatively affordable for South African consumers. It will also ensure that the that consumers will be able to stay with legally produced and manufactured tobacco products, rather than being tempted to use illegally produced and counterfeit products.



But this is just a first step. We are not yet out of the woods. We encourage the Minister live by his commitment to policy certainty and return to his Department's policy target for a cigarette excise incidence of 40% of the most popular price category. Although the cigarette excise increase was measured, the excise incidence stands at 43.5%, up from 43.3%, and well above National Treasury's stated policy of targeting a 40% excise incidence based on the Most Popular Price Category (MPPC).

We also welcome the Minister's imposition of a 75% of the cigarette excise tax on tobacco heated products during his budget speech.

We believe that this is a fair approach that will ensure that revenue generation is not dependent on cigarettes alone. The excise introduction for this category will create further opportunities for government to generate revenue from categories that were up to now untaxed.

BTFA also recognises that relying on excise increases alone to achieve these objectives is unrealistic. SARS' relatively new leadership has been tasked with this massive undertaking. They are already making some welcome progress but further and unrelenting activity is required. The Minister has committed to further invest in SARS' capacity and BTFA welcomes and supports this one hundred percent.

On behalf of the Black Tobacco Farmers Association.

Ntando Shadrack Sibisi
Chairman