

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

## **Public Hearings: Budget Speech**

### **Introduction**

The South Africa Tobacco Transformation Alliance (SATTA), which represents the country's tobacco farmers, processors and manufacturers welcomes Finance Minister Tito Mboweni's announcement on slightly increased excise charges for cigarettes and related tobacco products.

The Minister has been realistic and financially responsible in terms of the slight increase in excise charges on what we produce, and the projected revenue from the sale of tobacco products.

In doing so, Minister Mboweni has contributed to ensuring our survival by making sure that legal tobacco products remain relatively affordable for South African consumers. This contained excise increase also ensures 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.

### **Expanding the excisable tobacco categories creates more opportunity for revenue generation**

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

This is in line with the international standard for this category, which falls between 75% and 90% of cigarette excise. The excise introduction for this category will deliver a first step towards a more balanced excise framework.

### **Excise increases alone are not enough to stem illicit trade**

Although consumers will still feel the pinch, we believe the increase of 74c on a packet of 20 cigarettes is reasonable and realistic, as is the 40c increase in the cost of 25g of piped tobacco.

SATTA also recognises that relying on excise increases alone to achieve these objectives is unrealistic. Strong and consistent enforcement against the multi-billion rand illegal trade is critical. We therefore welcome the Finance Minister's commitment to rebuilding SARS, which plays a crucial role in clamping down on illegal tobacco product production and sales.



### **We call for policy certainty**

In addition to strong enforcement measures, we also urge the National Treasury to heed the Minister's call for policy certainty and return to its 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).

On behalf of the South Africa Tobacco Transformation Alliance

**Ntando Shadrack Sibisi**  
**Chairman**