

Honourable Joseph Maswanganye  
Chairperson  
Portfolio Committee on Finance  
Parliament of the Republic of South Africa  
Cape Town

02 March 2020

Dear Honourable Joseph Maswanganye

**Expression of Interest to Make Substantive Inputs: Vaping Tax**

The Vapour Products Association of South Africa would like to express its interest to make an input into the proposals for the introduction of a tax on vaping products as indicated by the Minister of Finance, Mr Tito Mboweni, during the Budget Speech delivered on 26 February 2020.

Though no firm proposal has yet been made on how the National Treasury expects to tax vaping products, we would like to be given an opportunity to outline our position on the proposed tax as this will have a detrimental impact on our industry and impact our potential to create jobs.

We are concerned that the National Treasury proposes to tax vaping in the absence of credible information about the size of the industry and how it actually works. We feel that this absence of information will be entirely detrimental to the ability of the government to institute a credible taxation regime on vapour products.

We are also concerned that government may seek to transplant its tobacco taxation regime on vapour products, and thereby conflate product categories that are distinct, unrelated and only linked by the common presence of nicotine.

We are worried that instituting such a tax at this point in time will severely limit the ability of the industry to grow and in time, supplant tobacco consumption, which is globally recognised as the only product that kills half of its users.

We would like government to foreground harm reduction in its thinking and to recognise that vaping provides an opportunity for policy makers to severely reduce tobacco consumption. Though not completely harmless, vaping is recognised as being 95% less harmful than tobacco, which presents opportunities to reduce the incidence of non-communicable diseases which are currently a growing burden on the public health system.



We are also worried that government has not properly thought through how the tax will be collected due to the fragmented nature of our industry. We are worried that any attempts to tax the industry at this early stage are likely to spawn illicit trade and a proliferation of cheap and unsafe alternative due to the diffused nature of our industry. As the Chairperson will be aware, government is currently struggling to get a handle on all forms of illicit trade, which is undermining employment and robbing the fiscus of much needed revenue.

At this point, we would propose that government take a considered approach to monitor the development of the industry over the next three years. We would propose that no efforts are made during this time to impose a tax. This will give government and industry an opportunity to understand the vaping category better, devise a practicable tax regime, and prevent possible revenue leakages which could have spill over effects on product safety.

We look forward to interacting with your committee.

Sincerely,

Asanda Gcoyi (Mrs)  
CEO