



**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

26 August 2021

Hon. J Maswanganyi, MP
Chairperson: Standing Committee on Finance (National Assembly)
PO Box 15
CAPE TOWN
8000

TRANSMITTED ELECTRONICALLY

Dear Sir

COMMENTS BY THE BLACK TOBACCO FARMERS ASSOCIATION (BTFA) ON THE DRAFT RATES, MONETARY AMOUNTS & AMENDMENT OF REVENUES BILL, 2021

The Black Tobacco Farmers Association (BTFA) represents the most vulnerable sector of the tobacco industry value chain, and therefore is an important voice in any conversation about increasing excise taxes on the sale of cigarettes.

Our members have been extremely hard hit by the five-month ban on cigarette sales that was imposed by our Government during the first part of the national COVID-19 lockdown. On top of that, sales have dropped massively due to the last excise increase of double inflation that was announced by the Minister of Finance. Exactly what we predicted back then actually happened. Legal sales declined, illicit sales went through the roof and total consumption did not decline.

Our plea, therefore, is to say: Enough, already. The legal tobacco industry in South Africa is already in desperate trouble. Any more excise increases will only increase our hardship even further: sales will drop even further because of more excise increases, and more and more people will turn to the cheap brands sold by the illicit traders.

We will all suffer: farmers, processors and manufacturers will sell even less cigarettes than we sell now. SARS and National Treasury will make even less money in excise. And the criminal networks who manufacture locally, or smuggle and sell illicit cigarettes will be laughing all the way to the bank.

We are founding members of the South Africa Tobacco Transformation Alliance (SATTA), and we completely agree with its views as follows:

- The 8% excise increase proposed in the Draft Rates Bill cannot be justified, particularly as the forecast inflation rate for this period is only 4.9%.



**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

- The increase proposed in the Bill will put the excise incidence on the cigarette's Most Popular Price Category (MPPC) at 45%, which is 12.5% or 5 percentage points higher than National Treasury's excise policy stipulates.

Dozens of farmers have already gone out of business because of the COVID-19 ban on cigarette sales. Sales of the most popular brands of legal cigarettes (eg Peter Stuyvesant) are down by half. Excise revenue is down by half. At the same time, the illicit market has more than doubled in size.

This cannot be allowed to continue.

The proposed increases will make the cost of legal cigarettes prohibitive to the average consumer. It will hand the country's entire cigarette market over to the illicit sector, once and for all.

Lower sales, as you are well aware, means less excise revenue rather than more -- which is short-sighted to say the very least.

Government must focus on putting in place an effective customs and excise administration and enforcement system for the tobacco industry before it starts looking at excise policy. This means immediate enforcement of the SARS Productions Counter Rules by all local manufacturers, end to end frequent and comprehensive audits of all manufacturers, stricter border control and enforcement, ratification of the World Health Organisation Protocol and implementation of an independent track and trace system, implementation and full enforcement of a Minimum Retail Sales Price (MPC) of R28 for 20 sticks.

In conclusion, we would like to record, and bring to your attention, that we fully endorse the comments by the new Finance Minister, Minister Enoch Godongwana, who was quoted in News24 on 16 August 2021 as saying that there will be no additional tax measures in the medium-term expenditure framework.

We fully support this view, and trust that – as his line department – National Treasury will adopt the same view.

Yours sincerely

Jabulani Tembe
Secretary General