BLACK TOBACCO FARMERS
ASSOCIATION

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- 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