



VAPOUR PRODUCTS
ASSOCIATION

**Public hearings on the Draft Taxation Laws Amendment Bill and the Draft Tax
Administration Laws Amendment Bill**

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1. INTRODUCTION

- VPASA: self-regulating industry body of vapour product manufacturers, retailers, and wholesalers in South Africa.
- Advocating for vaping as a less harmful alternative to smoking.
- Vaping vs Smoking:
 - Vaping is not smoking;
 - Combustion-free and tobacco-free;
 - Vaping has been scientifically proven to be at least 95% less harmful;
 - Nicotine is not found in all vaping liquids; and
 - Nicotine by itself is a mild stimulant that does not cause cancer.



2.SCIENTIFIC BASIS FOR THE TAX

- Electronic nicotine and non-nicotine delivery systems (ENNDS): Proven to be a harm-reduced alternative to combustible tobacco.
- Multiple studies conducted by credible international public health bodies, clearly demonstrate that vaping should be seen as a less harmful alternative to smoking.
- The view of these bodies is that ENNDS should form part of a comprehensive tobacco control agenda, rather than being maligned in the same way as smoking.
- Important to note the difference between tobacco heated products and ENNDS
 - THPs contain tobacco while ENNDS do not. Although similar in that they are both electronic devices.
- Quit-or-die approaches: Not guaranteed to yield government's intended outcomes. May drive users of ENNDS to procure products through illicit channels, which is far more harmful.
- Harm reduction approaches recognise that it may be difficult for users to simply walk away from their habits. A **central feature of this approach is the reduction of harm, rather than preventing the use of the substance itself**. Tobacco harm reduction, in particular, involves the use of **alternative sources of nicotine** by smokers that find it difficult or may be unwilling to quit.



3. VAPING AND THE YOUTH



- The results of the Global Adults Tobacco Survey (GATS) have revealed that the highest percentage of vaping prevalence in South Africa is between the ages of 15 – 24, at 3.1%.
- The age range employed by the GATS fails to provide a clear picture of underage vaping, as users over the age of 18 are considered adult consumers. From what has been made available of the report, it is not clear at what frequency young people between the ages of 15-18 vape;
 - whether their vaping is one-off experimentation or regular use;
 - how many of those who vape regularly were already initiated into nicotine when they took up vaping; and
 - how many have quit smoking because of vaping?
- VPASA agrees that any youth vaping is not acceptable. More must be done collectively to protect our youth from **ALL undesirable behaviors & products** including vaping.
- VPASA’s position:
 - E-cigarettes should be confined to adult smokers in their efforts to quit smoking or have access to harm-reduced alternatives and not persons under the age of 18.
- VPASA initiatives as part of the ongoing Youth Access Prevention Campaign:
 - Packaging Guidelines + Vaping standards process underway (SABS)
 - Member of the Advertising Regulatory Body (ARB)
 - Partnership with CGCSA (retail and petrol stations campaign)
- Measures that seek to deter adult smokers from taking up vaping are not advised.



4. GATEWAY THEORY

- No empirical data provided by Treasury to support the 'gateway effect'.
- PROPOSAL: A rigorous study is conducted to evaluate this claim to avoid solving a problem that does not exist.
- Vaping has been around long enough for government to investigate whether or not this is happening.
- The fear of something cannot be the basis of a policy decision when evidence can be readily obtained to back up that fear or supposition.
- Government should be relieved to know that the available data from the UK, US, New Zealand, and the broader EU suggests that there are more people making the switch from smoking to vaping than there are people making the switch from vaping to smoking.



5. PURPOSE OF EXCISE DUTY

- It is not clear what the projected impact of the proposed excise duty is.
- Further assessment of the sector is required:
 - Firstly, to arrive at a scientific and balanced view of what ENNDS represents for public health
 - Secondly, to solidly anchor the excise proposal on an empirical understanding of the vaping sector in South Africa.
- To achieve both outcomes, we propose commissioning a study to assess and answer the following questions;
 - How many vapers are former smokers? How many vapers are never smokers? How many vapers are dual users?
 - What is the expected outcome of the excise duty on vaping behaviour?
 - What is the public health burden of vaping in South Africa?
 - How much revenue is likely to be raised?
 - What is the projected impact on small traders in the sector?

6. LACK OF CONNECTION BETWEEN PROPOSED TAX & INTENDED PURPOSE

- The proposed excise duty will be ineffective in achieving its intended purposes due to the following:
 - Treasury has not demonstrated how the proposed tax will benefit public health. Neither the discussion document nor the explanatory memorandum accompanying the taxation proposal have demonstrated the gains to be realised from the imposition of a tax.
 - Treasury ought to undertake a Socio-Economic Impact Assessment on the tax, which assessment must clearly show how the tax will affect vaping behaviour viz-a-viz smoking and broader public health imperatives.
- An excise duty will spawn an illicit industry, which could have horrendous consequences for public health, as well as the legal industry.



7. UNINTENDED CONSEQUENCES

The introduction of the proposed excise duty will have significant, unintended, and irrational consequences at odds with the intended purposes:

1. Unintended consequence of emboldening the black market in counterfeit/illegitimate vaping products and “self-mix” e-liquids in South Africa. Self-mixed e-liquids can result in increased vaping at elevated nicotine concentration levels, to the detriment of public health outcomes.
2. It will make vaping expensive, especially when considered against smoking and the widespread availability of illicit tobacco. This goes against the doctrine of harm reduction.
3. It will have a destructive economic impact on the vaping industry: According to the Oxford Economics Africa report on the economic impact of ENDS/ENNDS products taxation in South Africa the tax-driven price increases that would result from the implementation of the proposed excise duty, may **increase the average price by up to 138%** and cause e-liquid consumption to **decline by 36%**, and the **vaping industry’s sales to fall by 22%**.

7. Cont.

4. It will have significant broader economic impact as it will not just affect the vaping industry. The impact will be most significant in the industries from which the vaping industry sources its inputs (manufacturing), the industry that it relies on for the distribution and retail of its products (trade & hospitality), and the business services it utilises (transport & communications and financial & business services).

5. The same report suggests that the decline in sales of vaping products induced as a result of the introduction of the proposed tax, could trigger a negative multiplier effect to an estimated **1500 jobs**; **R360 million** of the vaping industry's contribution to GDP being lost, and a significant reduction in tax contribution by the industry.



8. KEY RECOMMENDATIONS

It is imperative that government does the following before a decision is made:

- Conduct a **Socio-Economic Impact Assessment** to have a clear view of how a tax will impact the industry specifically small businesses and jobs.
- The **South African Bureau of Standards (SABS)** finalises the **standards** process for testing of nicotine for products being declared.

Until the above recommendations are put in place, we urge the Committee :

- To defer adopting the proposed excise duty at this stage (2024).
- If the Committee deems the tax necessary, the industry recommends a tax rate significantly lower than the proposed rate, and lower than that levied on THPs, given that ENNDS are less harmful than both combustible tobacco cigarettes and THPs.

THANK YOU



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