

Smuggled cigarettes 'will cost SA R12bn in taxes'

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South Africans will smoke 8-billion smuggled cigarettes, an increase of 500-million cigarettes from last year, costing the government R12bn in lost taxes this year, Tobacco Institute of Southern Africa (TISA) CEO Francois van der Merwe says.

Opening the TISA conference on the illicit cigarette trade, Van der Merwe said on Monday that smuggled cigarettes now accounted for about 30% of the total number smoked in the South African market.

"With 52% of the retail price of cigarettes being tax, it means South Africa has the highest tax rate in the Southern African Customs Union. Illicit products are always smuggled to the region with the highest tax rate, because that is the smugglers' profit margin," he said.

South Africa is one of the few African countries to have limits on cigarette advertising and the government actively campaigns against smoking. New anti-tobacco laws will make it an offence to smoke within 15m of the entrance to a public building and there has been a strong push to ban smoking indoors altogether.

Health Minister Aaron Motsoaledi has been among the most active anti-smoking campaigners, saying cigarettes lead to the deaths of about 5-million people in the world every year.

An estimated 25% of the more than 50-million people who live in South Africa smoke despite these attempts to curb smoking.

However, Van van der Merwe said the Treasury has been quite sensible in containing the tax increases on cigarettes for the past five years.

"Despite strong lobbying from the anti-smoking lobby, they have contained tax increases because it would just lead to more smuggling," he said.

Van der Merwe said illicit cigarettes' share of the South Africa market was well above the international norm of about 10% and this was due to many countries around it, such as Zimbabwe, being source countries, while Namibia, Mozambique and Swaziland were transit routes.

He said the tax levied on one container of cigarettes was R5m.

"Smugglers know that if they get caught smuggling cigarettes it is considered one of the softer crimes and so they do not

get punished as if they are smuggling drugs," Van der Merwe said.

He said the main reason for the rise in cigarette smuggling was that the gangs were getting "greedy".

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