

# Cigarette smuggling costs SA R12bn a year

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



Opening the TISA conference on the illicit cigarette trade, Van der Merwe said on Monday that smuggled cigarettes now account for about 30% of the total number of cigarettes smoked by South Africans each year.

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

South Africa is one of 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 entirely.

Health Minister Aaron Motsoaledi actively campaigns against smoking, saying cigarettes lead to the deaths of about 5-million people worldwide every year.

An estimated 25% of the more than 50-million people who live in South Africa still smoke, despite attempts by authorities to curb the addiction.

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

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

Van der Merwe said illicit cigarettes account for well above the international level of about 10% of the cigarette market and this was due to the fact that countries such as Zimbabwe are the source of illicit cigarettes while other countries such as

Namibia, Mozambique and Swaziland are used as transit routes by smugglers.

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

"Smugglers know that if they get caught smuggling cigarettes it is considered one of the 'softer' crimes, so they do not get punished as harshly as they would for 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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