

Health tax deterrent goes up in smoke

The increase in excise tax on tobacco products above the inflation rate, announced in the Budget Speech in February, was erroneously lauded by tobacco control lobbyists. Because, it only addresses the tax component of the retail price, and does not benefit health as it fails to tackle affordability.



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Cost to the consumer is important and that has been allowed to remain in the control of the tobacco industry. Of all the mechanisms available for tobacco control, tax is the single most important. The system must be restructured so that control of the retail selling price (RSP) is in the control of the government, says a statement from Tag (Tobacco, Alcohol and Gambling Advisory, Advocacy and Action Group).

“The tax system must be applied consistently, so as to make tobacco products progressively less affordable, says Professor Iraj Abedian, CEO of Pan African Investment & Research Services and member of the Tag experts advisory panel.

Cigarettes have become cheaper than the current rate of inflation

Tax on a pack of 20 cigarettes increased from R14.33 to R15.52 (8.3%), in addition to the 1% increase in VAT.

However, what really happened is that the tobacco industry has succeeded in making cigarettes cheaper, despite being

faced with the increase in excise tax and VAT. In Johannesburg, Brand A was R36.49 and is now R36.50. Brand B was R32.49 and is now R32.50. Brand X was R39.99 and is now R40.00. Brand Y was R37.99 and is now R38.00. This pattern applies to all brands, which Tag surveyed.

Despite the increases in tax and VAT, cigarettes have become cheaper by the current rate of inflation of about 4.4%. The result of more affordable cigarettes is that fewer smokers will think about quitting because of cost and many people, especially the youth, will start smoking because cigarettes are not as expensive as they should be in order to deter them from starting.

Change the structure

As the regulatory body in South Africa, the government must uphold South Africa's obligation in terms of Article 5.3 of the Framework Convention on Tobacco Control (FCTC), which it ratified in 2005. It states: "In setting and implementing their public health policies with respect to tobacco control, parties shall act to protect these policies from commercial and other vested interests of the tobacco industry in accordance with national law."

"Affordability is the key factor and our tax system fails to address this correctly. We challenge the minister of finance and government to change the structure of excise duty on tobacco products so that the products become progressively less and less affordable and then to apply that system consistently every year.

"That way we will save lives, protect the young, protect the vulnerable and protect the poor, all of whom are the most negatively affected by smoking and using tobacco products. More people will be killed by the tobacco industry products and the manufacturers and importers know this." says Peter Ucko, CEO of Tag.

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