PRESS RELEASE

Health organisations call for a 100% tobacco tax increase

Health organisations forming the #protectournext movement have called for a 100% increase in tobacco tax ahead of the mid-term budget speech next week. A significant increase can make tobacco products less affordable, reducing consumption, improving public health, reducing the already heavy burden on the health system and adding to state revenue, say the National Council Against Smoking (NCAS), CANSA, the South African Medical Research Council (SAMRC) and the Heart and Stroke Foundation SA.

The 2020 tobacco excise tax increase announced in February was 74c per pack of 20, lower than 2019 (R1.14) and 2018 (R1.22). "These small tax increases below inflation actually end up making cigarettes more affordable over time. They are simply not enough to make people think twice about smoking and do not address the high cost burden of tobacco," says Savera Kalideen, Executive Director of NCAS. "In the last tax year, SA collected only R12.5 billion in tobacco tax, while tobacco harm costs the state over R42-billion in healthcare costs and lost productivity as estimated by a 2020 REEP study. Taxpaying South Africans are subsidising the cost of tobacco use to the economy. We must redirect this cost to the tobacco industry and smokers."

While over 55% of what you pay for tobacco, 41.4 % excise tax and 15% VAT, goes to tax, this still falls short of the World Health Organisation (WHO) Framework Convention on Tobacco Control recommendation of a minimum of 70% of the final consumer price, Dr Catherine Egbe, Specialist Scientist: Alcohol, Tobacco and Other Drug Research Unit of the SAMRC points out. "It's time for South Africa to step up to our FCTC commitments and truly implement what we signed up for – both in terms of passing the Tobacco Bill and increasing tax."

Tobacco tax is part of a broader strategy to reduce tobacco consumption and stop new smokers from starting. "Evidence from multiple countries shows that lower-income households and adolescents are most sensitive to price increases and do change their smoking behaviour over time. Higher prices can also reduce relapse among those who have quit and reduce consumption among continuing users," says Dr Egbe.

The recent temporary ban on tobacco sales provided revealing data on price sensitivity, price elasticity among determined smokers and motivation to quit through a study conducted by the Research Unit on the Economics of Excisable Products (REEP). Nearly 30% of respondents who smoked indicated that they had tried to quit during the lockdown, largely due to higher prices. Many determined smokers who could access cigarettes continued to pay the soaring prices for illicit cigarettes. "While it's clear that better support must be given to those who want to quit, lockdown has shown that some smokers will pay higher prices for tobacco products, although this was in the context of it being a temporary situation," says Public Health and Development Consultant Zanele Mthembu.

"The #protectournext organisations argue there is certainly room to increase the tax by 100% or more."

The #protectournext organisations further take issue with the taxation of novel tobacco products and e-cigarettes. As announced in the February budget speech, heated tobacco products are now taxed at a rate of 75% of the cigarette excise rate. E-cigarettes will be taxed from 2021, although details have not yet been confirmed. "We believe heated tobacco products and certainly e-cigarettes should be subject to the same excise taxes as cigarettes. While e-cigarettes do not contain tobacco, they do contain addictive nicotine or other chemicals," says Mthembu. "SA is also not currently taxing e-cigarette device imports, as no specific import tariff heading exists. SARS therefore does not track import volumes or values. These addictive products must to be better taxed and regulated."

Big tobacco is further reaping the benefits from tax issues in other areas, says Mthembu. "As highlighted by author Telita Snyckers, SA's trade agreement with Switzerland means big tax breaks for big tobacco – paying no duty makes importing cigarettes from Switzerland nine times cheaper than anywhere else. From May 2019-April 2020, SA imported R600m of cigarettes from Switzerland. This is a glaring loophole that must be addressed."

"Policy change, tax increases and better support delivered through a whole-of-government approach are the most effective ways to stop ongoing tobacco harm," concludes Mthembu. "We call on the Department of Finance and the South African Revenue Service to play their part in protecting our nation."

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