

7 July 2021

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SURGE IN ILLEGAL CIGARETTE TRADE AS PRICE WAR INTENSIFIES – NEW IPSOS REPORT

- **Shops selling illegal cigarettes in the Eastern Cape more than doubled in just four months**
- **Illegal cigarettes are on sale in nearly half (41%) of all shops nationwide**
- **Five times as many outlets on petrol forecourts now sell illegal cigarettes compared to the first survey in February**
- **Illegal cigarettes are being sold for as little as R6 per pack, a fraction of the Minimum Collectible Tax (MCT) rate of R21.60**

South Africa is sinking under a tide of illicit cigarettes

Wednesday 7 July 2021 – Newly released research findings from Ipsos, an independent market research agency, shows that South Africa’s illicit tobacco trade has surged to unprecedented levels as manufacturers flood shops across the country with untaxed cigarettes.

The tide of illegal cigarettes has infiltrated every province as criminals wage a price war that is costing the state billions and destroying the legal market.

“This research is damning proof that authorities have failed to bring South Africa’s colossal criminal market in cigarettes under control,” said British American Tobacco South Africa (BATSA) General Manager Johnny Moloto.

“Tax-evading manufacturers who exploited last year’s lockdown ban are now running rampant and costing South Africans huge sums of money at a time when every cent is a life-saver. It is nothing short of a national emergency that demands a full-scale inquiry into the whole industry.”

Following the third survey of the year on this research topic, leading market research company Ipsos reports today:

- The number of shops selling illegal cigarettes in the Eastern Cape has more than doubled in just four months since the last time results were released;
- In KwaZulu-Natal, the rate has shot up by one third;
- Two out of three shops in the hotspot provinces of Free State, Gauteng and Western Cape sell illegal cigarettes;
- Illegal cigarettes are on sale in nearly half (41%) of all shops nationwide;

- Five times as many outlets on petrol forecourts now sell illegal cigarettes since the last time results were released;
- Illegal cigarettes are being sold for as little as R6 per pack, a fraction of the Minimum Collectible Tax (MCT) rate of R21.60 per pack of 20.

Brands owned by or licensed to Gold Leaf Tobacco Corporation (GLTC) continue to win the illegal price war, with the number of its South African brands purchased below the MCT rising by 25%.

The incidence of brands owned by or licensed to Carnilinx, a member of the Fair-Trade Independent Tobacco Association (FITA), bought below the MCT, increased by a third.

There was a threefold increase in brands owned by or licensed to FITA-member Protobac being sold below the MCT.

The latest Ipsos fieldwork was carried out from 15 – 22 June 2021, and follows similar studies in March and February of this year.

“The bulk of the illicit tobacco problem in South Africa clearly has local origins, as the report demonstrates,” said Moloto.

He added that “It demands justice and that necessitates an immediate Commission of Inquiry into the tobacco market in South Africa.

“SARS Commissioner Edward Kieswetter has said that withholding tax to punish government for poor service delivery or corruption will really punish South Africa’s poor and vulnerable,” Moloto said.

Moloto urged SARS and the Government to enact four pressing initiatives to stem the tide of illegal cigarettes and to collect the taxes owed from all manufacturers:

1. “Ensure compliance of all manufacturers with SARS production counter rules;
2. “The immediate introduction of a minimum retail sales price of R28 for a pack of 20;
3. “The Government should finally ratify the WHO Illicit Trade protocol to fight illicit trade;
4. “South Africa must introduce a comprehensive track-and-trace system to stamp out this brazen criminality once and for all.”

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NOTE TO EDITORS:

Find the latest IPSOS report [here](#)