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ILLEGAL CIGARETTES NOW OUT OF CONTROL - NEW IPSOS REPORT

- **TAX EVASION ON AN 'INDUSTRIAL SCALE'**
- **75% OF RETAIL OUTLETS IN SOME PROVINCES SELLING ILLICIT CIGARETTES**
- **BATSA REPEATS CALLS FOR URGENT INVESTIGATION**

Monday, 8 March 2021 - A MAJOR new report released on Monday shows that illicit cigarettes have now taken over huge swathes of South Africa.

British American Tobacco South Africa (BATSA) is stepping up calls for an urgent inquiry as the independent research of thousands of shops and stores proves that the cigarette market has been transformed into a multi-billion-rand free-for-all for lawbreakers.

The comprehensive mystery shopper study by Ipsos, an independent market research company, shows that, in some provinces, three out of every four retail outlets are selling a pack of 20 cigarettes below the Minimum Collectible Tax Rate (MCT) of R20.01, set by law.

Brands registered to Gold Leaf Tobacco Corporation (GLTC) were found to comprise half of all products selling below MCT that were identified by the nationwide research.

Brands registered to Carnilinx were the next most prevalent, being identified as the cheapest brands on sale in 16% of the nationally representative sample of retailers visited, with 48% of these selling Carnilinx brands at below MCT.

The Ipsos study of outlets ranging from spazas to supermarket chains in every corner of the country reveals:

- Almost half (41%) of retail outlets nationwide sold cigarettes below the minimum collectible tax (MCT) level of R20.01
- That figure jumps to three-quarters in the Free State (76%) and Western Cape (73%); and to two thirds in Gauteng (62%).
- The lowest purchase price for a pack of 20 was R9.00, and for a 10-pack carton the unit price dropped to just R6.30 per pack
- Mystery Shoppers bought packs of 20 below MCT in every retail sector, from informal to modern trade
- 48% of outlets in the informal sector (spazas, cafes etc) sold below MCT

- Brands owned by Gold Leaf Tobacco Corporation were, by far, the most likely to be the cheapest available products selling below MCT, with its brand Remington Gold dominating.

In their study last month (11-16 February), which was commissioned by BATSA, Ipsos shoppers asked for and bought the cheapest pack of 20 cigarettes OR 10 pack carton on offer in 4,586 statistically representative stores nationwide.

Of the 1,849 packs bought R20.00 and below, 904 were packs owned by the Gold Leaf Tobacco Corporation, compared with 352 for Carnilinx and 160 for Mango Investments.

Remington Gold was sold as the cheapest available brand below MCT in 533 outlets.

“These results are outrageous. Even allowing for some of these purchases being stolen, smuggled or counterfeit stock, the sheer volume and range of brands available suggests that some manufacturers must be complicit in the sale of these products – whether through omission or active facilitation,” says BATSA general manager Johnny Moloto. “There is no other plausible explanation.”

“This is tax evasion on an industrial scale. Government has a responsibility to act with urgency to stop such looting,” adds Mr Moloto.

“Three initiatives will make all the difference, and they’re not difficult to achieve:

1. All tobacco companies should be complying with SARS production counter rules
2. The Government should finally ratify the WHO Illicit Trade protocol to fight illicit trade, and
3. South Africa must introduce a comprehensive track-and-trace system to stamp out this brazen criminality once and for all.”

“This research is damning proof that the booming illegal trade in cigarettes is costing South African taxpayers billions of rands in lost revenue,” says Mr Moloto.

“Criminal cartels who ruthlessly exploited the tobacco sales ban have since maintained their grip on the sector and we now have one of the biggest illicit cigarette markets in the world, with tax-evaded product on open sale throughout the land.

“South Africa urgently needs an uncompromising, comprehensive investigation into all players in the industry and must enforce the law to bring criminals in the trade to justice. South Africans are demanding to know how, and by whom, this has been allowed to happen. We need a Commission of Inquiry as well as rapid enforcement by SAPS and SARS.”

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NOTE TO EDITORS:

Find the IPSOS report here:

[www.batsa.co.za/group/sites/BAT_A2ELAD.nsf/vwPagesWebLive/DOBYWCXR/\\$file/BATS_A_IPSOS_Price_Benchmark_Survey_Report.pdf?openelement](http://www.batsa.co.za/group/sites/BAT_A2ELAD.nsf/vwPagesWebLive/DOBYWCXR/$file/BATS_A_IPSOS_Price_Benchmark_Survey_Report.pdf?openelement)