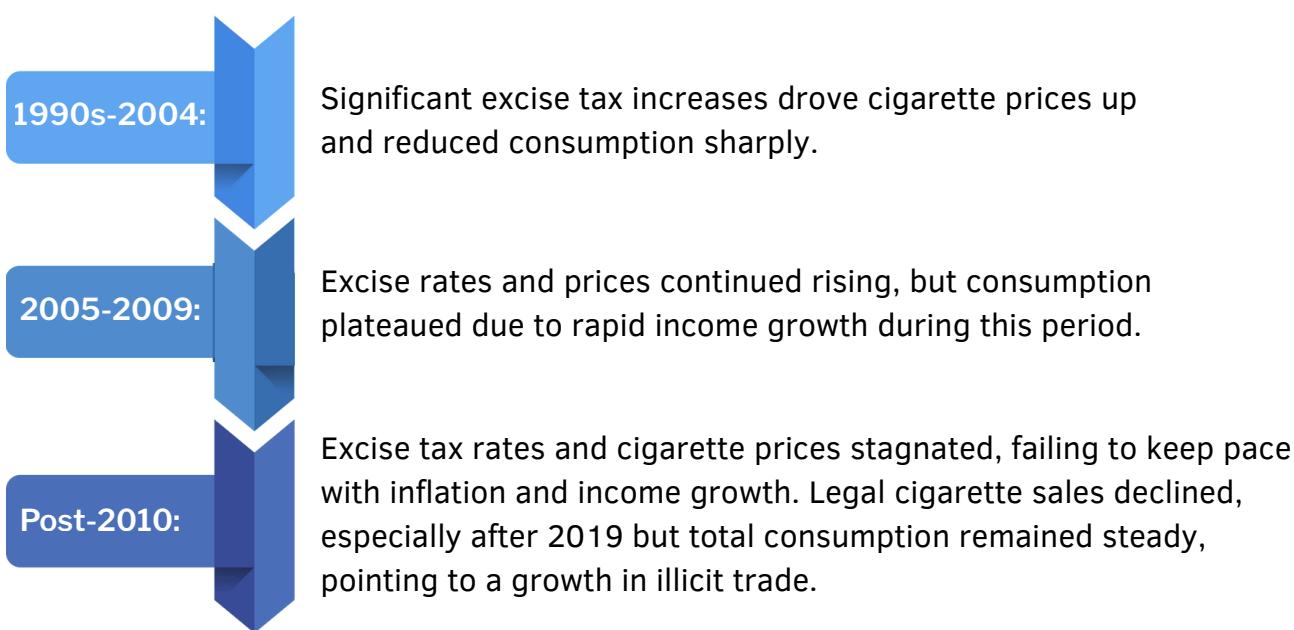


Strengthen Tobacco Taxation in South Africa

Executive Summary

Tobacco taxation is the most effective intervention to reduce tobacco consumption, prevent premature deaths, and raise government revenue. In South Africa, sustained excise tax increases during the 1990s and 2000s drove down cigarette consumption and boosted fiscal receipts. Yet, since 2010, excise rates have stagnated in real terms while illicit trade has grown, now accounting for more than half of all cigarette sales. This has eroded public health gains and cost the country billions in lost excise and VAT revenue. Urgent action is needed to restore taxation as a cornerstone of tobacco control by strengthening tax policy, closing enforcement gaps, and aligning prices with health objectives.

Trends in Tobacco Taxation, Consumption and Illicit Trade



Price Sensitivity: Evidence shows that a 10% tobacco price increase would reduce consumption in South Africa by 6–9%, demonstrating the continued power of taxation as a public health tool.

Public Support: In 2021, nearly three-quarters (73%) of South African adults, including 79.7% of women and 65.8% of men, supported higher tobacco taxes, suggesting strong political feasibility for reform.





Strengthen Tax Administration to Reverse Revenue Collapse

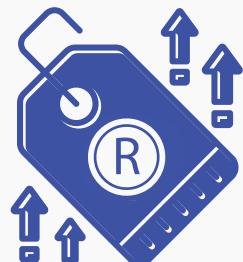
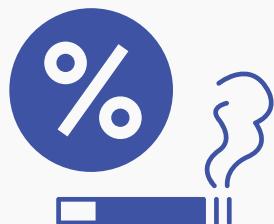
Contrary to tobacco industry claims, higher taxes do not automatically fuel illicit trade.
Evidence shows that:

- Between **1995 and 2009**, when excise taxes rose by **more than 10%** annually in real terms, the **share of illicit tobacco remained low and stable**.
- The surge in illicit trade from **2015 onward** coincided with **weakened enforcement capacity** at the South African Revenue Service (SARS), **not tax hikes**.
- The **20-week COVID-19 sales ban** entrenched **illegal supply networks**, with many consumers continuing to buy illicit products **even after the ban was lifted**.
- As illicit trade grew, excise revenue collapsed by **nearly half**, falling from **R16 billion** in 2019 to just **R8.5 billion** in 2023, reducing funds available for health and development programmes.

Effective enforcement, not lower taxes, is essential to protect revenue and public health.

Tax, Affordability, and WHO Benchmarks

- **South Africa's excise tax** (at R21.77 per box of 20 cigarettes for the financial year 2024/2025) is **around 40%** of the retail price, far short of the WHO FCTC-recommended **70% benchmark, leaving room to raise taxes to save lives and boost revenue**.
- The **average cigarette prices** in South Africa are **among the lowest in the region**, making tobacco more affordable and attractive, particularly to youth. Cigarette prices are 65% higher in Botswana, 37% higher in Lesotho, and 4% higher in Namibia.
- **Loose cigarette sales**, available in more than 80% of shops, remain widespread and less sensitive to tax hikes, undermining **price-based deterrents and making smoking accessible for youth and low-income users**.
- The tobacco industry claims that higher taxes hurt the poor, ignoring the reality that **tobacco use deepens poverty through healthcare costs and lost income**. Raising taxes is a pro-poor measure that reduces consumption, protects health, and frees household resources for food, education & other essentials.





Historical Excise Cigarettes Prices and Taxes in South Africa

The figure below reveals that **since around 2010**, the retail price per pack of cigarettes has largely **remained stagnant**. During this period, the **excise tax rate mostly stayed below 50% of the retail price**, falling short of the World Health Organization's recommended level.



Source: Vellios and van Walbeek, 2024

<https://southafrica.tobaccocontroldata.org/en/home/taxation/>



Policy Gaps and Challenges

- **Stagnant tax rates since 2010** have sustained affordability and consumption, eroding earlier public health gains.
- **Poor enforcement of tobacco control and tax laws** has fueled the growth of illicit trade, undermining both revenue collection and the credibility of fiscal measures
- **Excise adjustments have failed to keep pace with inflation and rising incomes.** making tobacco products increasingly affordable over time.
- **Tobacco tax revenues are not earmarked for public health**, missing an opportunity to fund cessation services, health promotion and treatment of tobacco-related diseases.

Recommendations

Implement **predictable, annual excise tax increases** that outpace inflation and income growth to steadily reduce affordability/consumption.



Introduce a **minimum retail price** to eliminate ultra-cheap products and safeguard the effectiveness of tax policy.



Increase the excise tax to **at least 70%** of the retail price, meeting **WHO FCTC best-practice standards**.



Establish an **automatic tax adjustment mechanism** tied to **income /consumer price growth** to ensure sustained impact over time.



Align tax policy with robust enforcement measures such as implementing a track & trace system, replacing the current tax stamps with high security markings and stronger border control to curb illicit trade.



Dedicate a share of tobacco tax revenue to fund **cessation services**, **health promotion and enforcement operations**, ensuring sustained public health impact.





For references and more information on tobacco taxation in South Africa, visit:

<https://southafrica.tobaccocontroldata.org/en/home/taxation/>



Tobacco Prevalence

Disaggregated information on tobacco and nicotine product prevalence in South Africa by demographics and other socioeconomic characteristics.

[Read more](#)



Illicit Trade

Illicit trade market share in South Africa, types of illicit trade, and recommendations to combat illicit trade.

[Read more](#)



Health Burden

How tobacco use impacts health, tobacco related hospitalizations and deaths in South Africa, and the financial burden of tobacco to the economy.

[Read more](#)



Taxation

Review of tobacco-tax policies and their impact on prevalence, South Africa's tobacco excise taxes, excise revenue, and legal vs illegal cigarette consumption, tobacco taxation myths.

[Read more](#)



Enforcement

Review of tobacco-control measures and their impact on prevalence, the impact of the 2020 tobacco sales ban, tobacco cessation, and global lessons learnt.

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Tobacco Industry Interference

Tobacco industry players in South Africa, performance in the industry interference index, industry interference tactics, and methods to combat industry interference.

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New and Emerging Nicotine and Tobacco Products

NENTPs defined, prevalence of NENTP use in South Africa, NENTP regulation, impacts on health and the environment of NENTPs, youth and NENTPs.

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Tobacco Agriculture

Estimated tobacco-industry jobs in South Africa, switching to alternative crops, and tobacco industry exploitation of farmers.

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