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Illegal cigarettes cost South African government over R100 billion since 2010

Research by the University of Cape Town (UCT) academics Dr Nicole Vellios and Professor Corné van Walbeek has revealed that the South African government has been losing billions of rands because of illegal cigarettes since 2010.

Vellios, based at UCT's [Research Unit on the Economics of Excisable Products](#) (REEP), said that in 2022, the government lost R17.6 billion in excise and VAT revenue. "If SARS had collected the R17.6 billion, an additional 1% would have been added to total revenue. If we look at a longer period from 2002 to 2022, the total lost excise and VAT revenue is R119 billion. The majority of the lost revenue occurred from 2010 to 2022, when R110 billion in excise and VAT revenue was lost. This is because the illegal market started to grow in 2010. We estimated that the illicit cigarette market comprised 5% of the market in 2009, peaked at 60% in 2021, and decreased marginally to 58% in 2022."

The authors' estimates of illicit trade from 2002 to 2022, published on 15 March 2024 in [BMJ Open](#), are based on a gap analysis. They estimated the number of illicit cigarettes by calculating the difference between the number of self-reported cigarettes and legal cigarettes purchased. To calculate the excise and VAT revenue that the government lost through illicit trade, they took into account that some people would have quit or reduced their consumption if cigarette prices had been higher (i.e if tax was paid).

Van Walbeek, who has been involved in tobacco control research for more than two decades, noted that, in the context of a market with such a large illicit component, an increase in the excise tax becomes much less potent as a tobacco control tool. "An increase in the excise tax will have an impact only on the price of legal cigarettes, but it will have no impact on the price of illicit cigarettes. A huge illicit market is problematic because it makes it easy for smokers to switch to the illicit market, and because cigarettes are cheap, more young people are likely to try smoking. It is, therefore, critical to reduce the availability of illicit cigarettes," he said.

Vellios commented: "We are often told that people might not know if the pack they buy is illegal or not. There is a very simple way to know – by considering the price. Each packet of 20 cigarettes now carries an excise tax of R21.77. Add the manufacturing costs, transport

costs, wholesale and retail mark-ups, and VAT, and the minimum price at which a legal pack of cigarettes can be sold is around R32 per pack.”

Despite many appeals by academics and civil society organisations, South Africa has not ratified the [Protocol to Eliminate Illicit Trade in Tobacco Products](#), van Walbeek said. The protocol is an international treaty that aims to eliminate all forms of illicit trade in tobacco products. Countries that ratify the protocol commit themselves to implement, among other things, licensing requirements for all producers in the tobacco supply chain and a track-and-trace system to monitor the flow of tobacco products. If SARS does not secure the supply chain from the point of production to the point of sale, South Africa will continue to lose valuable revenue.

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NOTE FOR EDITORS:

For interviews, please contact [Professor Corné van Walbeek](#) or [Dr Nicole Vellios](#).

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