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South Africa's illegal tobacco trade is booming.

Independent research shows 54% of cigarettes sold in the country are illegal.

In this research, illegal = cigarettes that were smoked for which the revenue service didn't collect sin tax.

That's a problem. South Africa's goal is to cut smoking through sin taxes, which pushes up the price of a box of cigarettes.

Price hikes work well to curb smoking. But it's less effective when people can get their fix cheap and easy.

Illicit trade was hovering around 5% between [2002 and 2009](#). But then things changed.

### **How did things get this bad?**

There are three periods to keep in mind.

#### **1990 to 2010**

International tobacco giants respond to higher sin taxes by making their prices much higher than the excise tax increase.

That meant they could keep making a profit even as tobacco sales were dwindling.

Their profits enticed smaller local manufacturers to enter the market at much lower prices (made possible by tax evasion).

#### **2014**

Tom Moyane, appointed as Sars commissioner at the end of 2014, sacks illicit trade sleuths and senior tax experts.

[Whistleblowers accuse](#) Big Tobacco of using their political ties to avoid investigations into their operations.

#### **2020**

The COVID pandemic hits. The government implements a [five-month ban](#) on tobacco sales from March to August 2020.

But there were no bans on the rest of the tobacco supply chain (such as exports and manufacturing), so illicit trade boomed.

People kept smoking whatever they could find, no matter the cost.

[Research shows](#) some smokes were selling at more than four times their usual price.

On average people were doling out 2.5 times what they did pre-COVID.

The move cost Sars [R 5.8-billion in tax](#) and undid the taxman's progress made against the illicit trade.

Today, many people are still opting for cheaper, illegal cigarettes.