

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 619 [NW742E]
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619. Mr M G P Lekota (Cope) to ask the Minister of Finance:

What is the estimated tax revenue lost over the past 10 financial years due to the illicit cigarette industry?

NW742E

REPLY:

SARS has conducted a research study (tax gap) to estimate the loss of revenue on illicit trade of cigarette using the top-down approach for the period 2014/2015 and 2015/2016 respectively. The estimated loss of tax revenue (tax gap) was estimated at R4.1 billion and R6 billion respectively. However, SARS has not commissioned a research study to quantify the size of the illicit cigarette for the period in question, 2008/2009 – 2017/2018 financial years and as such, SARS is unable to provide an official position to that effect.

SARS is currently undertaking a scientific and evidenced-based research study to identify the businesses operating in the illicit economy with a view to quantify the size of the illicit economy. The research methodologies include both qualitative and quantitative analysis through collaboration with business, field research including a survey for data collection for all tax types. The research study further serve to solicit input from the multidisciplinary stakeholder involved in the illicit economy enforcement to ensure a collective approach is attained. The study is expected to be completed during 2021.

SARS has put measure in place to combat the illicit trade and selling of illicit cigarettes through its Customs enforcement wing and in collaboration with other law enforcement wings from the public (JCPS cluster) and the private including TISA and FITA. SARS is aware of the various studies amongst others IPSOS and Euronomics which has estimated the size of the illicit cigarettes to average R8 billion per annum however, due to the absence of our own research, SARS is unable to quantify or confirm any narrative currently in the public domain.

SARS Enforcement performance, 10 years, 2008/2009 – 2017/2018 financial year

SARS enforcement was involved in 13, 428 seizures in the past 10 years, resulting in 1.7 billion sticks of cigarettes with a Rand value of R1 041 billion calculated at an average street value of R0.60 per cigarette sticks and R1.7 billion when using the industry acceptable average value of R1.00.