

NAME: \_\_\_\_\_ GRADE: \_\_\_\_\_ DATE: \_\_\_\_\_

“SIN TAXES”

Read the article “High sin tax boosts illegal trade – BAT” and answer the questions that follow.

1) What does the word “sin” tax imply?

\_\_\_\_\_

2) Give another word for “illicit” \_\_\_\_\_

3) Why are retailers stocking illegal cigarettes?

\_\_\_\_\_

4) How are the illegal cigarettes making their way into South Africa?

\_\_\_\_\_

5) Give two reasons why they are cheaper than locally produced cigarettes?

\_\_\_\_\_

6) How does the economy generate an income from imports?

\_\_\_\_\_

7) Discuss the two implications of the illegal cigarette trade in the economy.

\_\_\_\_\_

\_\_\_\_\_

8) What are the health implications for the consumers?

\_\_\_\_\_

9) What are the two reasons that Government has been increasing taxes on cigarettes?

\_\_\_\_\_

10) Discuss two reasons why the consumption of cigarettes decreased by 31% over the past 10 years.

\_\_\_\_\_

11) How do you think government can solve the problem of the illegal trade of cigarettes?

\_\_\_\_\_

12) Which other product is “Sin taxed” \_\_\_\_\_

13) Give an argument for and against Sin Taxes.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## Smuggler's hopes go up in smoke

A ZIMBABWEAN man has been arrested after he attempted to smuggle over R4m worth of counterfeit cigarettes into South Africa from Botswana. North West police said on Saturday.

The 27-year-old man's truck was stopped for a routine inspection at the Ramatlabama border post on Friday at 6pm, said Brigadier Thulani Ngubane.

"Police discovered that the truck was loaded with illegal cigarettes ... There were 606 cases valued at R4 264 260," said Ngubane.

The truck and the cigarettes were seized and the man is expected to appear in the Mmabatho Magistrates' Court tomorrow. - Sapa



# CRACKDOWN ON FONG KONG!

By ANIL SINGH  
COPS and the South African Revenue Service are coming down hard on those bringing counterfeit goods into the country.

Recently, police arrested a couple with a large consignment of fong kong cigarettes they had brought into South Africa through Mozambique.

Customs officials also seized the car in which they were transporting the boxes of fake smokes.

Importing illegal cigarettes into the country costs the South African government about R13 billion in lost revenue, as those who bring in the goods do not pay tax.

A packet of genuine cigarettes costs about R27, while fong kong one costs about R12.

Lieutenant-Colonel Vincent Mdunge said cops topped the cream Toyota Cressida on the R22 main road between Mbazwana and Kwagwanase in far northern KwaZulu-Natal.

The couple who were arrested appeared in the Ubombo Magistrates Court on Friday on a charge of possession of counterfeit goods.

The SA Revenue Service has also stepped in.

Mdunge said: "Not only does the unlawful importation and dealing in counterfeit goods offer unfair competition to those traders who are law-abiding.

"It also impacts on the economy of the country as a whole, making it a more serious offence than it appears at face value.

"The SAPS is determined to stamp out all trade in counterfeit goods and has tightened up security checks at border posts," added Mdunge.

■ During the police operation against fake imports, two motorists were arrested for drunk driving and 14 illegal immigrants were arrested.

The foreign nationals will be deported to their countries of origin soon.



Cops with the consignment of illegal cigarettes seized near the South African and Mozambique border.



POISON PUFFS: Smuggled counterfeit cigarettes carry a greater health risk

DIFFERENCES: Fake Rothmans box, right, has deeper red stripes



# WARNING

# High sin tax boosts illegal trade – BAT

STAR 20/02/2012

Nompumelelo Magwaza

A BIG increase in cigarette tax would be detrimental to the industry and could lead to a rise in illicit trade, British American Tobacco South Africa (BAT SA) said ahead of the Budget speech on Wednesday.

In an interview with Business Report, BAT SA head of communications Itumeleng Langeni said the manufacturer and the government stood to lose from a high sin tax because some retailers would find ways to avoid the increase by using illicit traders. He said the cigarette industry contributed about R10 billion in tax a year.

In his Budget speech last year, Finance Minister Pravin Gordhan hiked the price of a packet of 20 cigarettes by 80c.

The National Council Against Smoking (NCAS) predicts the government will increase the tax on cigarettes by R1 a pack.

NCAS executive director Yussuf Saloojee said last year's 80c increase was inadequate and had failed to meet the Treasury's twin goals of optimising revenue collection and reducing tobacco consumption.

Saloojee noted that, since

1997, the government had increased the tax by only 2 percentage points. In 1997, the Treasury set the tax on the retail price of cigarettes at 50 percent; this rose marginally to 52 percent in 2004, he said.

Saloojee said that two years ago the manufacturers had decided not to increase their prices, increasing cigarette consumption. "Between 2004 and 2008, total cigarette consumption rose by 6.5 percent, after having fallen by 31 percent in the previous 10 years."

BAT SA said besides the concerns over tax increases, the company continued to suffer from the illicit trade in cigarettes – mainly from Zimbabwe.

Langeni said more than R3bn in tax revenue was lost due to the illegal trade.

The South African tobacco industry estimates that illicit trade in tobacco products represents about 20 percent of the market share.

BAT SA said it was important for the government to establish a workable tax regime and economic policies that did not encourage illicit trade. It said this included strong border controls and effective laws.

