

Sin taxes hiked, expanded to heated tobacco products

Smokers and drinkers will have to dig deeper into their pockets for cigarettes and alcohol. This comes after Finance Minister Tito Mboweni in the 2020 Budget Speech announced increases of between 4.4 and 7.5% in excise duties on alcohol and tobacco.



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Beer, wine and spirits

From Wednesday, 26 February, a 340ml can of beer or cider will cost an extra 8c while a 750ml bottle of wine will cost an extra 14c.

Other increases will see a 750ml bottle of sparkling wine cost an extra 61c, while a bottle of 750ml spirits, including whisky, gin or vodka, will rise by R2.89.

A packet of 20 cigarettes will be an extra 74c, while a 25 gram of piped tobacco and a 23 gram cigar will cost an extra 40c and R6.73, respectively.

Heated tobacco products and e-cigarettes

In its *Budget Review* report, the National Treasury said Government will introduce a new category or tariff sub-heading for heated tobacco products in the schedule of excise duties. These products are not currently subject to excise duty. “[These are] to be taxed at a rate of 75% of the cigarette excise rate with immediate effect,” reads the report.

Electronic cigarettes are different to heated tobacco products: they do not contain tobacco, but they do contain nicotine or other chemicals. “Currently, electronic cigarettes are not taxed,” said National Treasury.

The report notes that, globally, policymakers are looking at regulating and taxing these products due to concerns about their health effects. Government intends to tax electronic cigarettes in 2021.



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The 2020 Budget has again not spared smokers and alcohol drinkers. Taxes on alcohol and tobacco, reads the report, are determined within a policy framework that targets the excise duty burden.

“The excise burdens for most types of alcoholic beverages and tobacco products currently exceed the targeted level as a result of above-inflation increases and price fluctuations,” reads the *Budget Review*.

Government will increase most excise duties by an amount that matches expected inflation of 4.4% for 2020/21, and by 6% in the case of sparkling wine and 7.5% for pipe tobacco and cigars.

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