

# Alcohol and tobacco ban already devastating Treasury's coffers

By [Bernard Sacks](#)

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Since the start of the Covid-19 lockdown, South Africans have been forced to make do without some basic products at the various levels including alcohol, tobacco and fast food. With that said, the ban on the sale of these simple luxuries may in fact be far from a mere inconvenience - it could be driving the country into an even deeper economic hole.



Bernard Sacks, tax partner, Mazars

In his most recent address to the nation, President Cyril Ramaphosa announced that the sale of alcohol was once again banned. While Government did make its decision for national health reasons, one cannot ignore the effect that these drawn-out product bans are having on tax collections. Looking at the ongoing ban on cigarettes, it was recently estimated that the South African Revenue Services (Sars) has lost around R3.5bn in uncollected excise duties on this one product class since March. However, that is actually quite far from the actual amount that the country has lost in taxes from just this one ban.

This number does not take VAT into account. According to my estimate, Treasury is probably losing out on around R320m in uncollected VAT per month. In total, Sars is therefore losing in the region of R1.5bn per month. Again, this is not even the complete picture since the loss is even greater when you include factors such as the uncollected fuel levies, manufacturers' and supporting businesses' corporate profits, and personal income taxes that this industry normally generates. Anecdotal evidence would suggest that most smokers are still finding a way of getting their hands on cigarettes, so the money that would normally be taxed is still in circulation – Sars just isn't getting its cut.

## Lost revenue

Still, if one only considers my most conservative estimate of around R6bn in taxes being lost from cigarette sales to date, the damage of the ban is still considerable. We are looking at about R13bn to R15bn if this continues until the end of the year. Granted, it is a drop in the bucket compared to the R300bn that Sars is expected to under-collect in taxes this year. But, it is billions that could have potentially gone towards initiatives to support small businesses during this time and combat unemployment, for example.

The revenue that Treasury will lose as a result of the reinstated alcohol ban will be even greater. In the 2019/20 financial year, Sars collected around R47bn in excise duties from primarily alcohol and cigarettes. The collections for this year were initially projected to be R48bn. If one factors in a total ban on alcohol sales alongside the cigarette ban, the R1.5bn monthly loss in taxes could be tripled. If both of these bans are upheld until the end of the year, we are looking at total losses upward of R30bn. Once again, that figure is solely a calculation of lost excise duties and VAT – it does not take other lost taxes into account. This shows us just how hard these product bans are hitting the country on a fiscal level.

## ABOUT THE AUTHOR

Bernard Sacks is the tax partner at Mazars.

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