



**fita**

fair-trade independent tobacco association  
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## **RE:Press release – for immediate release**

FITA comprises the majority of wholly locally-owned tobacco manufacturers in South Africa. As a grouping of local businesses within the tobacco industry, we contribute significantly towards the economy by way of excise and import duties, value-added tax, and income tax in its various forms. We directly employ a significant amount of people at our factories situated throughout the country. Additional people are employed in our related business activities. Even more people derive employment indirectly as a result of our business operations along our value-chain.

We note our collective concern in the recent issuing of a notice by the South African Revenue Service (SARS) to implement certain proposed regulations unilaterally. Whilst in principle we support all efforts by the state to implement whatever mechanisms considered prudent in the pursuit of compliance, we question the timing of this notice that was issued during the festive season. It is of equal concern that we have been afforded an extremely limited time by SARS to comment on the proposed regulations. As things stand, we have no idea what the implications of the implementation of the proposed counting systems will be on our respective businesses and it is virtually impossible to make a thoughtful input to the proposed regulations in the short space of time afforded to us. There is no doubt among us that the implementation of these proposed regulations will have a direct effect on our various individual business systems.

If not common decency, it is a general principle in law in any event, that when the state gives effect to any administrative decision that will affect and impact on the rights of persons, that such be done fairly and justly and through a properly constituted consultative process. When we met with SARS as part of a larger stakeholder engagement two months ago, these proposed regulations were not raised by SARS and they did not form part of the discussion. The issuance of the notice out of the blue and the short time period afforded to us by SARS as smaller stakeholders in the tobacco industry suggest that our voices are less important than others.



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J.Venter (Chairperson) | K.Phillips (Director) | A.M.Schmidt-van den Heever (Director)

As stated, the time period afforded us by SARS is insufficient for us to consider the impact these proposed regulations will have on our businesses. We are all relatively small businesses competing with and positioned among larger multi-nationals within the industry and have access to limited resources. In addition, we all have different and distinct business systems and designs, different software, production processes and machines in our production plants. There are still too many questions around the consequences and effects to our businesses if the proposed counter system is to be imposed on all tobacco manufacturers. The proposed regulations and request for comments fall short in answering even the most basic of our questions.

There has been evidence of too many instances in the past which point to various practices by certain role-players in the tobacco industry that speak to unfair treatment of some by the state, preferential treatment in other cases and various anti-competitive practices. The simple reality is that whilst illicit manufacturing and smuggling may be a common malady in the industry, there are a multitude of other ills that affect economic growth and losses to the fiscus that need to be addressed by the state. We believe that a more holistic approach is required of the state to address losses to the fiscus - of which illicit manufacturing and smuggling form but a part.

We wish to emphasise that whilst in principle we do not oppose any measures by SARS that will lead to levelling the playing fields in the tobacco industry, as employers and contributors to the fiscus, we believe that we have a right to be properly engaged and afforded the means to participate in matters which have all the potential materially affect our businesses. These principles are even more applicable in these times of economic uncertainty and turmoil. We believe it incumbent on SARS to ensure that growing local businesses such as ourselves are not burdened beyond a point where they affect our economic viability, continued growth, employment and job-creation and our continued contribution towards the economy of South Africa.

In light of these developments we intend to write to SARS Commissioner Tom Moyane to request:

- Additional time to properly consider the proposed system and regulations, their efficacy and value-add to the industry.

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- Additional information from SARS in respect of the process followed that led to the decision-making and conclusions by SARS. This will include requesting access to whatever processes were followed and research conducted that informed the proposed regulations.
- Direct engagement between SARS and FITA members in respect of the proposed regulations.
- The suspension of the implementation of the proposed regulations pending consensus and agreement between all stakeholders in the industry.

In addition, we intend to commission independent research in order to enable us to make well-informed contributions to SARS in respect of the proposed regulations. We will therefore also request that the implementation of the proposed regulations be postponed until such time as we are in a position to present our case to SARS.

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