

## **CGCSA WELCOMES PLANS TO STRENGTHEN SARS TO FIGHT ILLICIT TRADING BUT LAMENTS DECISION NOT TO EXPAND LIST OF VAT-EXEMPTED FOOD PRODUCTS**

**Johannesburg, 23 May 2025** - The Consumer Goods Council of South Africa (CGCSA) welcomes plans by the government to strengthen the South African Revenue Service (SARS) to enable it to fight the scourge of illicit trade in tobacco, alcohol and other areas. In his budget speech statement, Finance Minister Enoch Godongwana stated an additional allocation will be made to SARS will be used to improve modernisation as well as respond to the growing problem of illicit trade. "The minister has correctly identified the need for a more robust approach to fighting illicit trade, an issue that was further highlighted at the CGCSA security seminar held last week, at which industry players and security experts warned of the social and economic danger posed by illicit trading. As CGCSA has said before, counterfeit and illicit trade is one of the biggest threats to economic order and growth as well as to the fiscus as it thrives on counterfeit and fake goods, and is currently estimated to account for as much as 10% of the SA economy," CGCSA CEO Zinhle Tyikwe says.

Estimates show for example that last year alone, SA lost R100 billion through illicit and counterfeit trading, a significant amount in terms of business loss to legitimate brand owners and the government through taxes that could've been collected by SARS. Illicit trading in tobacco was growing every year, and costing the fiscus as much as R5 billion a year in lost tax revenue. According to the South African Liquor Brand Owners Association, on-taxation of illegal alcohol amounts to as much as R11.3 billion annually.

"The Consumer Goods Crime Risk Initiative (CGCRI), a division of CGCSA, is working closely with law enforcement, particularly the South African Police Service (SAPS) to provide information received through the MyCGCSA app or the Anti Illicit Trade & Counterfeit Hotline for follow-up and further investigation. We are pleased that through these efforts, police have been launching numerous successful operations to intercept and destroy illicit products, particularly food, alcohol and cigarettes entering the market. We will also continue to work with SARS, private security sector and our members to address this problem which needs not only a holistic, robust response but additional resources to law enforcement to capacitate them in their fight against illicit trading. It is against this background we welcome additional funding that SARS will receive," Tyikwe says.

Related to the budget, Tyikwe expressed dismay at the decision not to expand VAT-exempted products to cushion the poor against rising food prices. "As we have said before, this decision will affect particularly many South Africans who are facing high living costs. We believe the decision is regrettable as it would have gone a long way to not only cushion consumers but also improve healthy eating and healthy lifestyles, and improve food security. Our members will continue to ensure retail basic food items at competitive prices to cushion the impact on consumers, particularly the poor and disadvantaged," she says.

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