

14 Jul

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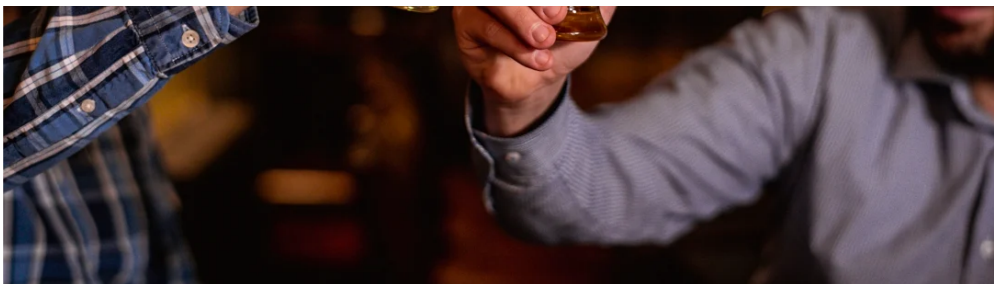
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Excessive drinking has social and fiscal consequences. South Africa's tax regime needs to take all these factors into account, writes an expert.

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Better enforcement, rather than lower excise, should be used to temper the illicit alcohol trade, says **Nomcebo Dlamini**, while higher excise discourages binge drinking.

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one familiar industry argument has once again dominated submissions: increasing alcohol excise taxes will inevitably fuel illicit trade.

It is an argument repeated so often that it risks being accepted as fact. But repetition is not evidence.

A growing body of independent research suggests that this narrative has become one of the alcohol industry’s most effective lobbying tools rather than a true reflection of economic reality.

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A recent article by the University of Cape Town’s Research Unit on the Economics of Excisable Products (REEP) argues that the relationship between alcohol excise taxes and illicit trade has been substantially overstated, with claims often used to discourage evidence-based tax reform.

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National Treasury is considering reforms to better align alcohol excise taxes with the enormous social and economic costs alcohol imposes on South Africa. Policymakers should therefore distinguish between evidence and rhetoric.

South Africa reviews its alcohol taxation framework approximately every decade. The previous review, published in 2014 after extensive consultation with government, industry and civil society, recognised that excise taxes serve two important purposes: raising revenue and helping to internalise the significant external costs created by alcohol consumption, including healthcare expenditure, violence, road accidents, crime, lost productivity, and the subsequent burden placed on taxpayers.

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Treasury also recognised that taxation should form part of a broader package of

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Rand - Yen	0.10	+0.1%
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interventions that includes regulation, education and effective enforcement.

The evidence supporting that position has, with time, become even more compelling.

South Africa continues to experience one of the world's highest levels of heavy episodic drinking, better known as binge drinking. And alcohol remains a major contributor to preventable harm across society.

Approximately 59% of drivers involved in fatal road crashes test positive for alcohol, around 60% of reported gender-based violence cases involve alcohol, and South Africa has the highest reported rates of fetal alcohol spectrum disorder in the world. The prevalence of this condition is estimated in some communities to be from 111 to 290 cases per 1 000 live births.

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Recent evidence compiled by REEP estimates that alcohol contributes to about 37 000 preventable deaths every year, while the broader economic costs of alcohol amount to between 10% and 12% of South Africa's gross domestic product, far exceeding the revenue currently generated through excise taxes.

The real costs

These costs are not borne by alcohol manufacturers. They are paid daily by hospitals managing trauma cases, police responding to alcohol-related violence, municipalities dealing with public disorder, employers facing reduced productivity, families living with addiction and violence, and, ultimately, every South African taxpayer.

Perhaps the most significant development since the 2014 review is that the scientific understanding of alcohol has fundamentally changed. The World Health Organisation (WHO) is unequivocal: there is no completely safe level of alcohol consumption. Alcohol is classified as a Group 1 carcinogen, alongside tobacco and asbestos, and is causally linked to at least seven cancers, including breast, liver, mouth, throat, oesophageal and colorectal cancers. Evidence increasingly shows that cancer risk begins even at low levels of consumption.

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This evidence is already changing behaviour internationally. Across countries such as the UK, Australia, Canada and several Nordic nations, younger generations are drinking significantly less alcohol and increasingly choosing alcohol-free alternatives because of a growing awareness of alcohol's effects on physical health, mental wellbeing and long-term disease risk.

Enforcement challenge

Against this backdrop, the industry's continued reliance on illicit trade as its principal

argument against excise reform deserves careful scrutiny.

Whenever governments propose stronger alcohol taxation, industry representatives frequently predict dramatic growth in illicit trade. Yet there remains remarkably little independent evidence demonstrating that appropriately designed excise increases are themselves the primary driver of illicit alcohol.

Illicit trade is driven by weak customs enforcement, organised criminal syndicates, corruption, porous borders, counterfeit production, and weaknesses in tax administration. Taxation is only one factor, and often not the dominant one. Treasury itself recognised this in the 2014 review, concluding that illicit trade is fundamentally an enforcement challenge requiring coordinated action rather than a justification for weakening public health taxation.

If illicit trade exists because enforcement is weak, reducing alcohol taxes will not solve the problem. It simply leaves South Africans exposed to both high alcohol consumption and continued illicit trade.

Since the previous review, the South African Revenue Service (SARS) has significantly strengthened its response through a comprehensive modernisation programme, including the implementation of its track-and-trace system for excisable products. Together with enhanced customs intelligence, stronger border controls, improved excise compliance and coordinated action against organised criminal syndicates, these measures reflect international best practice for combating illicit trade.

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Greater taxation and enforcement should be implemented simultaneously.

The WHO continues to classify alcohol taxation as one of its most cost-effective “best-buy” interventions because higher prices consistently reduce harmful alcohol consumption while generating revenue that governments can reinvest in health and development. Research shows that a 10% increase in alcohol prices typically reduces consumption by about 5%, with particularly strong effects among young people and heavy drinkers.

South Africa should certainly take illicit alcohol seriously. Counterfeit products endanger consumers, organised crime undermines legitimate businesses, and tax evasion deprives government of much-needed revenue. But none of these realities justifies delaying evidence-based alcohol taxation.

Governments do not abandon excise taxes on tobacco or fuel because illicit markets exist; they strengthen enforcement while maintaining sound

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fiscal policy. Alcohol should be no different.

As National Treasury finalises this review, it has an opportunity to modernise South Africa's alcohol tax framework to reflect today's evidence rather than yesterday's assumptions. Independent economic research increasingly challenges the claim that excise taxes inevitably drive illicit trade. Public health evidence demonstrates the extraordinary social and economic costs of alcohol. At the same time, South Africa has strengthened its capacity to combat illicit trade through modern customs enforcement and SARS' track-and-trace system.

The question facing policymakers is therefore no longer whether South Africa should choose between taxation and tackling illicit trade. The real question is whether we are prepared to align alcohol policy with the best available evidence.

The answer should be clear: South Africa can raise alcohol excise taxes, strengthen enforcement against illicit trade, invest in prevention and treatment, and protect future generations at the same time. The country can no longer afford the true cost of alcohol.

Nomcebo Dlamini is the campaign director of The True Cost of Alcohol Campaign of the Southern African Alcohol Policy Alliance.

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