REEP: Research Unit on the Economics of Excisable Products

with the

WHO FCTC Knowledge Hub on Tobacco Taxation

Newsletter #44, July 2026

In This Issue

News

Follow Us

LinkedIn

REEP website

Knowledge Hub website

Acting Director's Message

Dear friends,

Over the past two months, our researchers have been involved in a wide range of activities, from engaging with policymakers, presenting new research, and contributing to international training programmes. A particular focus has been **alcohol taxation**, with REEP participating in **National Treasury's consultations** on proposed excise tax reforms, publishing a critique of industry claims on illicit alcohol trade, and sharing our findings through ***Econ3x3* and *Business Day***. We have also continued our work on tobacco taxation, including new research using **South African Revenue Service administrative data**, contributions to tobacco tax reform in **Zambia**, and updates on **South Africa's Tobacco Bill**.

This edition also highlights REEP's growing international engagement. Our researchers presented at workshops and training programmes organised by the **World Health Organization, the Addis Tax Initiative**, the **McCabe Centre for Law & Cancer**, Tax Justice Network Africa and the Centre for Trade Policy and Development, sharing evidence and lessons from South Africa with policymakers and researchers from around the world.

I hope you enjoy reading this edition and, as always, thank you for your continued interest in REEP's work.

Best regards,
Nicole
Acting Director: Research Unit on the Economics of Excisable Products

Photo credits L-R: Kovid Rathee, Doan Ng Thanh, Thomas Bjornstad | all Unsplash, and NFPA

NEWS: Research Unit on the Economics of Excisable Products

Tobacco tax reform in Zambia: New modelling presented to regional stakeholders

On 3 June 2026, Vanessa Darsamo presented at a webinar organised by Tax Justice Network Africa and the Centre for Trade Policy and Development. She presented findings from a tobacco tax simulation for Zambia, examining how strengthening the country's excise tax structure and increasing tax rates could reduce cigarette consumption while raising government revenue.

The webinar provided an opportunity to share and validate the findings of the study. The analysis highlights shortcomings in Zambia's current two-tier excise tax system, which taxes imported and locally manufactured cigarettes at different rates. Despite a 66% increase in tobacco excise taxes in 2025, locally manufactured cigarettes continue to be taxed at just 25% of the rate applied to imported cigarettes, creating incentives for consumers to switch to cheaper products rather than quit smoking.

The analysis highlighted that cigarettes remain relatively affordable, particularly for the youth and other vulnerable groups. The simulations also demonstrated the significant revenue potential of tobacco tax reforms aligned with international best practice and debunked common industry rhetoric against stronger taxation. Collectively, these findings support the need for a whole-of-government approach, with an inter-ministerial task force playing a key role in aligning economic and health objectives and ensuring the effective implementation of tobacco control policies.

Regulatory Update: Committee advances South Africa’s Tobacco Products Bill, but signals significant amendments

On 24 June 2026, Sam Filby attended the **Portfolio Committee on Health’s meeting** on the proposed South African Tobacco Control Bill. The Committee adopted the motion of desirability for the Tobacco Products and Electronic Delivery Systems Control Bill by 10 votes to one, clearing the way for clause-by-clause deliberations.

The vote follows an extensive public participation process, including hearings in 27 municipalities across all nine provinces, attended by nearly 7,900 people, over 1,100 oral submissions, and roughly 40,000 written submissions. Committee Chairperson Faith Muthambi described the Bill as one of the most thoroughly consulted pieces of health legislation Parliament has handled.

Ms Muthambi said the vote was not an endorsement of the current text but rather “a mandate to improve it”. Significantly, the Bill proposes regulating novel products such as e-cigarettes in the same way as combustible tobacco products. The Committee has instead endorsed differentiation between combustible and non-combustible products as a guiding principle, a position the Department of Health formally accepted in March 2026. Ms Muthambi stressed that this approach will not weaken protections for young people or the fight against illicit trade, and that penalties should be proportionate to the severity of offences. Most parties supported advancing the Bill while flagging amendments for the coming deliberations, and the Bill now proceeds to clause-by-clause consideration.

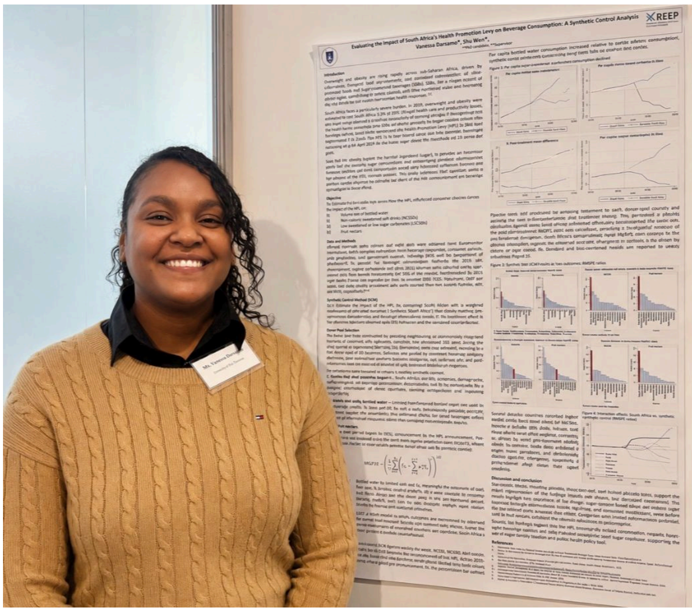
REEP presents at WHO/Addis Tax Initiative workshop on health taxes

On 22–23 July 2026, Nicole Vellios represented REEP at the WHO/Addis Tax Initiative (ATI) Workshop on Health Taxes: Country Experiences and Best Practices in Policy Design and Implementation. The two-day virtual workshop brought together around 120 participants from ministries of finance and health, tax administrations, international organisations and academia to discuss how health taxes can support domestic resource mobilisation, strengthen health systems, and reduce the burden of non-communicable diseases. The workshop formed part of WHO's *Accelerating Health Taxes: The 3 by 35 Initiative* and focused on practical experiences with designing and implementing taxes on tobacco, alcohol and sugar-sweetened beverages.

Nicole spoke during the session on alcohol and sugar-sweetened beverage taxation, alongside speakers from the World Health Organization and the World Bank. Her presentation highlighted South Africa's experience with alcohol excise taxation, including evidence on tax structures, affordability, industry responses to proposed reforms, and lessons for policymakers considering stronger health taxes. The session also explored country experiences with policy implementation and the impact of health taxes on consumption and government revenue.

See the programme **here**.

Carnegie-UCT Developing Emerging Academic Leadership (DEAL) Research Day



On 23 July 2026, Vanessa Darsamo participated in the Carnegie–UCT DevelopingEmerging Academic Leadership (DEAL) Research Day and welcome event for new and returning fellows. The event brought together more than 50 fellows and mentors and provided an opportunity to learn more about the Carnegie–UCT programme, showcase ongoing research, and foster networking and future research collaborations. Vanessa presented preliminary findings from a study examining the impact of South Africa's Health Promotion Levy (HPL) on beverage consumption using a synthetic control analysis.

The study compares per capita consumption trends between South Africa and a "synthetic South Africa" constructed from a weighted combination of donor countries, covering the period from 2010 to 2024.The analysis focuses on bottled water, regular carbonated beverages, non-sweetened and low-sugar carbonated beverages, and fruit nectars.

Preliminary findings indicate a significant shift in consumption towards less sugar-dense beverages following the announcement of the HPL, even before the tax was implemented. These results highlight the dual role of health taxes in reducing excessive consumption, not only through tax-induced price increases, but also through the health-signalling effect of policy announcements.

The research contributes to the growing evidence on the effectiveness of fiscal policies in promoting healthier dietary choices and improving public health outcomes.

New working paper examines trends in South Africa's tobacco market

REEP researchers Mxolisi Zondi and Leoné Walters have published a new UNU-WIDER Working Paper titled ***Trends in South Africa’s Tobacco Market: Insights from Administrative Tax Data***. Using anonymised firm-level tax administrative data from the South African Revenue Service (SARS), the study provides a comprehensive analysis of the tobacco industry in South Africa from a supply-side perspective. The paper examines trends in cigarette excise revenue, market concentration, firm performance, and employment, while also analysing how excise tax increases are associated with outcomes for firms across the tobacco value chain.

The study identifies a marked structural shift in South Africa's tobacco market after 2015, with evidence pointing to a rapid expansion of the illicit tobacco trade. The analysis shows that, despite continued increases in cigarette excise taxes, the formal market experienced declining dutiable sales, falling excise revenue, and changes in market concentration, suggesting that a growing share of cigarette consumption shifted to untaxed channels. While higher excise taxes were associated with lower legal sales, the study finds no meaningful association with firms' profitability or taxable income, challenging claims that tobacco taxation undermines industry viability. The findings show the need to complement excise tax policy with stronger tax administration and enforcement measures to curb illicit trade and improve revenue mobilisation.

REEP continues to support evidence-informed increases in alcohol excise taxes and challenge industry illicit trade claims

REEP has been actively engaging with National Treasury's stakeholder dialogues on proposed changes to alcohol excise taxes.

- On 4 June 2026, Mxolisi Zondi and Corné van Walbeek participated in National Treasury's secondconsultation on alcohol taxation. Mxolisi presented modelling work on tiered beer excise taxes, while Corné provided a technical critique of industry claims based on the Euromonitor report on illicit alcohol trade. On 16 July 2026, Mxolisi Zondi, Nicole Vellios and Corné van Walbeek participated in National Treasury's third consultation on alcohol taxation, where Corné presented updated modelling of tiered beer excise taxes.

- On 1 July 2026, REEP published a report titled **Industry-commissioned and compromised: A critique of Euromonitor International's report on illicit alcohol trade in South Africa**. The report identifies methodological flaws and a lack of transparency in an industry-funded report used to oppose alcohol tax increases. It concludes that higher alcohol taxes, when paired with strong enforcement, need not drive illicit trade and highlights the importance of basing policy decisions on robust, independent evidence.

- In a recent *Econ3x3* article titled **Illicit alcohol trade: A growing problem or an industry narrative**, Corné and Nicole examine claims that illicit alcohol trade in South Africa is rapidly increasing. The article argues that these claims, largely based on industry-commissioned research, are not supported by National Treasury's excise revenue data, which show that legal alcohol sales have continued to grow. Drawing a comparison with the tobacco market, where rising illicit trade was accompanied by a sharp decline in legal sales and excise revenue, the authors explain why the same pattern is not evident for alcohol. They conclude that while government should continue strengthening enforcement against illicit trade, alcohol tax policy should be guided by transparent, credible evidence rather than industry narratives designed to discourage higher excise taxes.

- Building on this work, Corné van Walbeek and Nicole Vellios published an opinion piece in *Business Day* on 13 July 2026 titled **Illicit alcohol trade: threat of industry scare tactic?** The article reinforces REEP's key message that while illicit alcohol should be addressed through stronger enforcement, alcohol tax policy should be guided by transparent, independently verifiable evidence rather than industry-commissioned claims.

- In late July REEP and RESET Alcohol published **Raising alcohol taxes to reduce harm: Fact sheets for South Africa**. As taxes on alcohol are among the most effective policies to reduce consumption and, in turn, alcohol-related harms – while also creating revenue that can be used for health and social programs – these fact sheets were produced to make the case for raising alcohol taxes in South Africa. Individual fact sheets titles include: "Raising taxes on alcohol will reduce gender-based violence", "Countering industry claims on alcohol excise tax increases" and "South Africa can reduce harm by optimising alcohol excise taxes".


Industry-commissioned and compromised: A critique of Euromonitor International's report on illicit alcohol trade in South Africa

1 July 2026

Report prepared by:

REEP Research Unit on the Economics of Excisable Products

Authors: Corné van Walbeek and Nicole Vellios

NEWS: WHO FCTC Knowledge Hub on Tobacco Taxation

REEP contributes to international training on health taxes

On 14 July 2026, REEP Programme Director Dr Zunda Chisha participated as a guest expert in an online training programme on law and noncommunicable diseases organised by the McCabe Centre for Law & Cancer, which also serves as the WHO FCTC Knowledge Hub on Legal Challenges.

Zunda joined Son Dao of Vital Strategies for an interactive session examining the role of health taxes in addressing major NCD risk factors. The discussion covered the economic and public health rationale for taxing tobacco, alcohol and sugar-sweetened beverages, practical considerations in tax design and implementation, and lessons from country experiences. The session also explored Vietnam's excise tax legislation as a case study. The training brought together government officials, civil society representatives and academics, and contributed to REEP's broader commitment to strengthening international capacity in evidence-informed health tax policy.

In the Media

Op-Eds

- 31 May 2026. **SA's double defeat – smoking up, vaping left unchecked**. Daily Maverick. Written by Sam Filby and Corne van Walbeek.
- 10 June 2026, Econ 3x3. **Illicit alcohol trade: A growing problem or an industry narrative**. Written by Corné van Walbeek and Nicole Vellios. (Reposted on 11 June in **Polity**).
- 13 July 2026. **Illicit alcohol trade: threat of industry scare tactic?** Business Day. Written by Corne van Walbeek, C and Nicole Vellios.

Media interviews

- 31 May 2026: Sam Filby was interviewed on SABC News It's Topical in connection with World No Tobacco Day and calls for stronger regulation: **Is there underage vaping crisis?**.
- 2 June 2026: CapeTalk's Clarence Ford speaks to Prof Corne van Walbeek about how an industry that loses millions of customers to premature death every year keeps recruiting their replacements? The answer, increasingly, is by targeting young people: **SA Smoking more & vaping is unchecked**.
- 9 June 2026: CapeTalk Afternoon Drive's John Maytham is joined by Professor Corné van Walbeek, to discuss how South Africa's current framework is struggling to keep up with a fast-evolving nicotine market: **Smoking and vaping increases amid outdated legal framework**.
- On 15 June 2026: Dr Nicole Vellios was interviewed on SA FM's Daily Discourse show to discuss **Treasury's review of the sin-tax regime**.

News clippings

- 7 June: **Beer and wine could cost much more as Treasury reviews sin tax regime**, Sunday World, and reposted by **Magzter**

7 June: Beer and wine could cost much more as Treasury reviews sin tax regime, Sunday World, and reposted by Magzter

- 9 June: SAB Warns of R2bn Sales Hit if Treasury's Beer Tax Goes Ahead, Business Explainer

13 June: **One illegal market is quietly draining billions from South Africa's economy**, IOL

- 17 June 2026: **South Africa ramps up crackdown on illicit trade as R245 million goods seized**. IOL
- 21 June: **Are stats on black-market alcohol too much to swallow?** News24
- 20 July 2026: **Tie booze tax to inflation, Treasury told**. Business Day.
- 23 July 2026: **South Africa has plenty of plans to reduce alcohol harm – but authorities aren't working together.** /explain/.
- 23 July 2026. **NCC and BMA join forces to block counterfeit and unsafe goods at South Africa's borders**

Regards,
The REEP team

If you have any comments or feedback on this e-newsletter, or suggestions for possible story ideas for our next issue, please get in touch with the REEP team, by emailing us at:
tobaccoecon@gmail.com

And contact the WHO FCTC Knowledge Hub on Tobacco Taxation team at:
tobaccotaxationkh@gmail.com