



**Econ3x3**

[www.econ3x3.org](http://www.econ3x3.org)

*A web forum for accessible policy-relevant research and expert commentaries on unemployment and employment, income distribution and inclusive growth in South Africa*

---

Downloads from this web forum are for private, non-commercial use only.  
Consult the *copyright and media usage guidelines* on [www.econ3x3.org](http://www.econ3x3.org)

**March 2026**

## **Illicit cigarettes make up more than half the market**

*Mxolisi Zondi, Kirsten van der Zee, and Corné van Walbeek, REEP*

### *Abstract*

*A nationally representative survey of South African smokers confirms that illegal cigarettes made up roughly 60% of the total market in 2021. This aligns closely with other research indicating that the illicit market grew from less than 10% before 2010 to more than 55% in 2020 and subsequent years. We estimate the share of cigarettes sold at prices strongly indicative of illicit production, and identify brands and brand owners most implicated. The results show where enforcement agencies should focus their attention to curb the continued rise of illicit trade.*

### **Introduction**

South Africa's cigarette illicit trade has reached crisis levels.<sup>1-4</sup> Illicit trade reduces the excise tax revenue collected by the South African Revenue Services (SARS). It undermines public health policies by making cigarettes more affordable and easily accessible, particularly to low-income smokers who might otherwise not smoke.<sup>5</sup>

South Africa's illicit trade began to surge in 2010,<sup>6</sup> when ultra-cheap, locally produced cigarettes started entering the market. This growth in illicit trade was accelerated by institutional failure at SARS between 2014 and 2018, when specialized enforcement units (including those responsible for illicit markets) were disbanded.<sup>7</sup> In addition, South Africa's five-month long COVID-19 tobacco sales ban in 2020 further entrenched illicit distribution networks. Even after the sales ban was lifted, illicit trade remained high.<sup>8</sup> Studies using a variety of methods and data show that illicit trade increased from less than 10% of the cigarette market in 2010, to around 60% in 2022.<sup>1-4</sup>

Using the 2021 South African Global Adult Tobacco Survey (GATS), we provide a national estimate of illicit trade and identify key illicit cigarette manufacturers.<sup>9</sup> The data confirm that the illicit market was roughly 60% of the cigarette market in 2021.

Historically, multinational corporations (MNCs) dominated the market, with British American Tobacco having a more than 90% market share at the start of the century. This has changed dramatically in the 21<sup>st</sup> century. Local producers (non-MNCs) now have a collective market share of close to 60%, and almost exclusively sell under-taxed products.

## Data and methods

We use South Africa's first GATS survey, conducted in 2021.<sup>9</sup> GATS is a standardised nationally-representative household survey on adult tobacco use. The sample included both smokers and non-smokers, aged 15 years and older. The data is weighted using the sample and consumption weights. Some observations are excluded due to non-response on consumption from non-daily smokers.

The questionnaire covers the respondent's most recent cigarette purchase, and has questions on total cost, type of product packaging, and quantity purchased. Purchase information is used to calculate unit prices, which are then converted to a standardised 20-pack price.

There are several methods used to estimate illicit trade, such as gap analysis, empty pack collections, or the price threshold method (PTM). The basis of the PTM is that the retail price of a pack should be at least high enough to cover the taxes and non-tax price elements. We define the threshold price as the sum of the minimum tax and non-tax price elements (i.e. wholesale and retail margins). Illegal cigarettes are typically sold at very low prices, often even below the tax due per pack. A retail price that is close to or below the excise tax amount is a strong indicator of illicit activity. Since the non-tax elements are uncertain, we vary these estimates for a robust illicit trade estimate (hence why we have multiple thresholds described below).

During the 2021/2022 fiscal year, the excise tax was R18.79 per pack of 20 cigarettes, with 15% VAT payable on this amount, making the minimum tax R21.61 per pack.<sup>12</sup> Based on several sources, including reports commissioned by the tobacco industry, the minimum manufacturing cost of a pack of cigarettes in 2021 was between R2.50 and R4.00.<sup>13</sup> Wholesale and retail margins are estimated at between 10% to 15% of the value of cigarettes when they leave the factory (i.e. ex-factory price). By varying these input-price assumptions, we established three retail price thresholds: (1) R21.61, the minimum tax amount that makes no provision for manufacturing or distribution costs, (2) R26.93 (calculated as  $(18.79 + 2.50) \times 1.10 \times 1.15$ ), which assumes very low manufacturing costs (R2.50) and industry margins (10%), and (3) R30.14 (calculated at  $(18.79 + 4.00) \times 1.15 \times 1.15$ ), which assumes low but viable manufacturing costs (R4.00) and industry margins (15%). The third is our preferred threshold as the first and second are unrealistic because manufacturers would not be making a profit.

## Illicit trade: role of informal markets

Using the price threshold of R30.14, we find that 59.2% of cigarettes sold in 2021 were illicit (**Table 1**). The fact that our micro-data-based estimate of illicit trade aligns

so strikingly with the macro-level estimate (obtained using gap analysis) gives us strong confidence in the results.<sup>4</sup>

Packs of 20 were the most common packaging type (52.2% of the market), with a 63.5% illicit prevalence, followed by single sticks (35%), with a 54.2% illicit prevalence. The “type of outlet” data reveals that illicit cigarettes were distributed largely through the informal sector, particularly spaza shops—informal, often foreign-owned convenience stores that typically stocks basic necessities—which accounted for nearly two-thirds (63.9%) of all cigarette purchases. Of cigarettes sold at spaza shops, 67% were at prices suggesting they were illicit.

**Table 1: Average price per standardised pack and illicit prevalence, by packaging type and by outlet type.**

	N	Average price	Standard deviation	Market share(%)	Prevalence of illicit(%)
<b>Packaging type</b>					
Single	667	33.86	19.29	35.0%	54.2%
10-pack	39	43.37	10.90	2.1%	3.7%
20-pack	585	27.06	11.45	52.2%	63.5%
30-pack	11	34.19	3.48	1.3%	8.1%
Carton of 100	7	44.14	19.26	0.8%	30.0%
Carton of 200	37	22.04	6.51	8.5%	78.3%
<b>Outlet type</b>					
Formal shop	321	31.58	11.76	31.3%	45.6%
Spaza shop	947	28.34	15.50	63.9%	67.0%
Street	51	32.87	19.07	3.0%	49.6%
Other	26	40.27	13.85	1.8%	22.1%
<b>Overall</b>	<b>1345</b>	<b>29.60</b>	<b>14.61</b>	<b>100%</b>	<b>59.2%</b>

Source: Global Adult Tobacco Survey South Africa, 2021

Furthermore, our regression results (not shown) confirm that purchasing from a spaza shop significantly increases the probability of buying an illicit product. The regression analysis also indicates that illicit cigarette use is more heavily concentrated among unemployed people, low-income earners, and individuals with lower educational attainment.

## **The Structural Shift: from multinationals to local producers**

GATS respondents indicated which cigarette brand they had bought at their most recent purchase. By linking self-reported brands to their producers (based on various online sources), the data allows us to report illicit trade at the brand and producer level.

Historically, British American Tobacco (BAT) has dominated the market, with more than 90% market share in the early 2000s.<sup>14</sup> This is no longer the case. The GATS data reveals that, in 2021, BAT's market share had decreased to 33% (Table 2). Other MNCs collectively held about 8% of the market. Based on the chosen threshold price (i.e. R30.14 per pack), between 13% and 18% of MNCs' cigarettes were flagged as illicit.

**Table 2: Standardized 20-pack price, market share and illicit prevalence, by producer**

Producer	MNC/ Non-MN	N	Average price	Standard deviation	Market share	Prevalence of illicit
British American Tobacco	MNC	552	42.80	14.14	33.0%	13.1%
Gold Leaf Tobacco Corporation	Non-MNC	275	23.26	9.97	21.2%	85.1%
GLTC/PCC	Non-MNC	263	21.11	9.66	15.5%	89.1%
Carnilinx	Non-MNC	80	18.43	4.89	10.7%	95.9%
Best Tobacco Company	Non-MNC	40	21.77	3.88	5.3%	95.0%
Japan Tobacco International	MNC	42	40.14	6.97	5.0%	17.5%
Amalgamated Tobacco	Non-MNC	30	21.50	6.95	4.2%	88.1%
Philip Morris International	MNC	37	39.69	9.05	2.6%	11.3%
Pacific cigarette Company (PCC)	Non-MNC	13	35.68	11.81	0.7%	41.6%
Other	Non-MNC	27	19.82	8.66	1.8%	86.6%
Total		1359	29.60	14.61	100%	59.2%

Source: Global Adult Tobacco Survey South Africa, 2021

By 2021 the market was dominated by non-MNCs. The dominant player is Gold Leaf Tobacco Corporation (GLTC, which rebranded to Polaris Manufacturing in 2025).<sup>15</sup> GLTC's market share is between 21.2% and 37.7%,<sup>1</sup> positioning it as a direct rival to BAT as the market leader. 85.1% of GLTC's cigarettes were sold at illicit prices, with an average price of just R23.26 per pack (below both the R26.93 and R30.14 price thresholds). Carnilinx was the third-largest producer, with 10.7% of the market, and an overwhelming 95.9% of its cigarettes were sold below the legal price threshold. Collectively, non-MNCs had 59.1% of the total market share and more than 85% of their volumes were classified as illicit.

**Table 3** presents the top 20 brands, with their market shares and illicit prevalence. MNC brands revealed varying prevalence of illicit trade, typically below 14%. BAT's Peter Stuyvesant (16.2% market share) and Dunhill (6.3% market share) had illicit prevalence of 10.5% and 9.4% respectively, while JTI's Camel (market share 3%) and PMI's Marlboro (market share 2.1%) had illicit prevalence of 0.3% and 13.6% respectively.

<sup>1</sup> The GLTC market share is presented as a range because of a questionnaire error. The brands RG (owned by GLTC) and Remington Gold (owned by Pacific Cigarette Company) were erroneously conflated. We did not make any assumptions about the relative market shares of the two brands. The 21.2% market share of GLTC is based on all brands other than RG/Remington Gold, while the 37.7% market share is based on all brands, including RG/Remington Gold. Given the dominance of RG (relative to Remington Gold) it seems likely that the true market share of GLTC is closer to the upper limit of this range than the lower limit.

By comparison, non-MNC brands had extremely high levels of illicit trade; for example, “Remington Gold & RG”<sup>2</sup> (14.5% market share) had an illicit prevalence of 88.8%, and GLTC’s Savannah (6.6% market share) had an illicit prevalence of 94.7%. Other non-MNC brands like Sahawi, Premium, Caesar, and Mega, had nearly a 100% illicit prevalence.

**Table 3: Brand prevalence of the top 20 cigarette brands and percentage of illicit.**

Brand	Producer	N	Average price	Standard deviation	Overall market share (%)	Prevalence of illicit (%)
Peter Stuyvesant	BAT	318	45.18	15.20	16.2%	10.5%
Remington Gold & RG	GLTC/PCC	258	21.48	9.79	14.5%	88.8%
Savannah	GLTC	111	21.30	6.91	6.6%	94.7%
Dunhill	BAT	135	47.52	16.45	6.3%	9.4%
Sahawi	GLTC	87	14.14	5.66	4.9%	98.3%
Pall Mall	BAT	52	31.78	8.49	4.6%	37.3%
Premium	Carnilinx	21	21.54	3.69	4.5%	91.1%
Chicago	GLTC	32	26.67	6.71	4.1%	77.2%
Caesar	BTC	32	22.33	4.18	3.9%	93.8%
Mega	Carnilinx	12	19.21	2.23	3.1%	99.2%
Camel	JTI	35	43.76	8.05	3.0%	0.3%
Sharp	GLTC	10	33.42	6.04	2.8%	70.9%
Rothmans	BAT	10	36.90	1.79	2.6%	2.9%
Voyager	GLTC	31	30.32	9.04	2.3%	59.2%
Marlboro	PMI	35	39.46	10.58	2.1%	13.6%
Kingdom	Amalgamated	16	17.96	3.09	2.0%	100.0%
Shasha	Carnilinx	12	9.20	1.27	1.5%	100.0%
Pacific	PCC	13	35.68	11.94	0.7%	41.6%
Derby	Carnilinx	20	20.60	5.50	0.6%	99.2%
Other Brands		116	25.52	10.39	13.9%	66.5%
Total		1358	29.60	14.61	100.0%	59.2%

Source: Global Adult Tobacco Survey South Africa, 2021

## Policy Implications: Targeted enforcement and securing the supply chain

The concentration of illicit sales among a group of non-MNC producers suggests tax and law enforcement authorities should intensify their surveillance and compliance interventions among these producers and actively monitor their supply chains.

In August 2022, the South African Revenue Services moved to install CCTV cameras in all cigarette manufacturing and storage facilities.<sup>16</sup> This strategy was successfully opposed in court by the Fair-Trade Independent Tobacco Association, the representative body of various non-MNC producers.<sup>17</sup> Given that our findings identify non-MNCs as the main suppliers of illicit cigarettes, the irony is hard to miss:

<sup>2</sup> As mentioned in the previous footnote, the two brands are lumped together because of an error in the questionnaire.

the court's decision effectively protected the manufacturers most responsible for illicit trade from a measure intended to curb it.

The World Health Organization's Protocol to Eliminate Illicit Trade in Tobacco Products describes various methods to secure the tobacco supply chain.<sup>18</sup> Securing the supply chain entails, among other things, (1) the licencing of all companies involved in the production, import, export and distribution of tobacco products, (2) implementing due diligence on (potential) customers, (3) requiring tobacco companies to keep proper records, (4) implementing a tracking and tracing system independent of the tobacco industry, (5) regulating internet sales and cross-border sales, and (6) having proper control of free trade zones and international transit zones.

The South African government must take urgent steps to address the illicit cigarette trade. Without comprehensive and decisive enforcement interventions, illicit trade will continue to grow, the most vulnerable South Africans will have access to cheap cigarettes, prevalence rates will continue to rise, and government will continue to lose out on tax revenue.

---

This article summarizes findings from the article '[South Africa's Illicit Cigarette Crisis: Evidence from the 2021 Global Adult Tobacco Survey](#)', published in *Tobacco Control* on March 12, 2026. While the article is subject to publisher restrictions, an open-access preprint version is available on [VeriXiv](#).

## References

1. Van der Zee K, van Walbeek C, Magadla S. Illicit/cheap cigarettes in South Africa. *Trends in Organized Crime*. 2020 Sep;23(3):242-62.
2. Vellios N, van Walbeek C, Ross H. Illicit cigarette trade in South Africa: 2002–2017. *Tobacco Control*. 2020 Oct 1;29(Suppl 4):s234-42.
3. Van Der Zee K, Vellios N, van Walbeek C, et al. The illicit cigarette market in six South African townships. *Tobacco Control*. 2020 Oct 1;29(Suppl 4):s267-74.
4. Vellios N, van Walbeek C. Tax revenue lost due to illicit cigarettes in South Africa: 2002– 2022. *BMJ Open*. 2024 Mar 1;14(3):e077855.
5. World Bank. Trade, Confronting Illicit Tobacco. A Global Review of Country Experiences, 2019. Available: <https://www.worldbank.org/en/topic/tobacco/publication/confronting-illicit-tobacco-trade-a-global-review-of-country-experiences> [Accessed 02 Nov 2025].

6. Van Walbeek C. Measuring changes in the illicit cigarette market using government revenue data: the example of South Africa. *Tobacco Control*. 2014 May 1;23(e1):e69-74.
7. Nugent R. Commission of inquiry into tax administration and governance by the South African Revenue Service, 2018. Available: [https://static.pmg.org.za/190213SARS Commission Final Report.pdf](https://static.pmg.org.za/190213SARS_Commission_Final_Report.pdf) [Accessed 11 Jan 2025].
8. Van der Zee K, Filby S, van Walbeek C. When cigarette sales suddenly become illegal: evidence from an online survey of South African smokers during COVID-19 Lockdown. *Nicotine and Tobacco Research*. 2023 Feb 1;25(2):325-30.
9. Global Adult Tobacco Survey Collaborative Group. Global Adult Tobacco Survey (GATS): sample design manual, version 2.0. Atlanta, GA: Centers for Disease Control and Prevention. 2010.
10. Ross H. Understanding and measuring tax avoidance and evasion: A methodological guide. Prepared for the Economics of Tobacco Control Project School of Economics, University of Cape Town and Tobacconomics, Health Policy Center, Institute for Health Research and Policy, University of Illinois at Chicago. 2015.
11. Ross H, Vellios N, Batmunkh T, Enkh-tsogt M, Rossouw L. Impact of tax increases on illicit cigarette trade in Mongolia. *Tob Control*. 2020 Oct;29(Suppl 4):s249-s253. doi: 10.1136/tobaccocontrol-2018-054904. Epub 2019 Jun 19. PMID: 31217282.
12. National Treasury. Budget Review. 2021. Available: <https://www.treasury.gov.za/documents/national%20budget/2021/review/FullBR.pdf> [Accessed 20 Jan 2025].
13. Ipsos. Cigarette retail and wholesale price research. 2025. Available: [https://www.batsa.co.za/content/dam/endmarkets/za/en/download/media/press-releases/2025/Report\\_-\\_Ipsos\\_Cigarette\\_Retail\\_and\\_Wholesale\\_Price\\_Research\\_-\\_08\\_June\\_2025.pdf](https://www.batsa.co.za/content/dam/endmarkets/za/en/download/media/press-releases/2025/Report_-_Ipsos_Cigarette_Retail_and_Wholesale_Price_Research_-_08_June_2025.pdf) [Accessed 04 Nov 2025].
14. Van Walbeek C. The economics of tobacco control in South Africa. 2005. University of Cape Town. PhD dissertation. Available: <https://open.uct.ac.za/items/8580e196-fd44-4530-92c8-e67582f184ec>
15. Wilson N. Tobacco Wars: Gold Leaf slams BAT over illicit trade report. *News24*. 2025. Available:

<https://www.news24.com/business/companies/tobacco-wars-gold-leaf-slams-bat-over-illicit-trade-report-20250712-0467> [Accessed 15 Aug 2025].

16. Olebogeng R. and Phozi M. Measures by the revenue authority to curb illicit cigarette trade. Deloitte. 2022.  
Available: <https://www.deloitte.com/za/en/services/tax/analysis/measures-by-the-revenue-authority-to-curb-illicit-cigarette-trade.html> [Accessed 22 Jan 2025]
17. Ryan C. SARS loses its appeal to install cameras in tobacco factories. *Moneyweb*. 2024. Available:  
<https://www.moneyweb.co.za/mymoney/moneyweb-tax/sars-loses-its-appeal-to-install-cameras-in-tobacco-factories/> [Accessed 22 Jan 2025]
18. World Health Organization. Framework Convention on Tobacco Control. Protocol to eliminate illicit trade in tobacco products, 2013. Available:  
<https://fctc.who.int/resources/publications/i/item/9789241505246> [Accessed 02 Nov 2025].