"Sin taxes": Do they have the power to drive the intended economic behaviour?

Mr. Kenneth Dlamini

A research report submitted to the Faculty of Management, University of Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Management and Public Development.

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ABSTRACT

The purpose of the study is to investigate if taxing consumer products is the correct tool to use to drive consumer behaviour. The case study looks at the use of “sin” taxes in the South Africa context (2000 – 2005). The goals of the study were to establish the reasons for using “sin” taxes, to understand the economic contribution “sin” taxes make to overall revenue and GDP, and also to test if the use excise duties on beer has changed consumer behaviour towards drinking alcohol. Using excise duties has not produced the desired results because most excise duties are transferable to the consumer and the products they are levied on are highly price inelastic. To effectively control the use of alcohol the government would have to consider using a combination of strategies such as increasing age restriction, banning sale of alcohol on Sundays etc.

DECLARATION

I, Kenneth Dlamini, declare that this research report is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of management and Public Development at the University of Witwatersrand, Johannesburg. It has not been submitted before for any other degree or examination at this or any other university.

Kenneth Dlamini day of 2010

DEDICATION

To my wife Eniccah. Thanks for your undying love, encouragement and support throughout the course. Without your constant support I do not believe I would have made it through the course. We made it through and in the process we added new additions to the family – the lovely twins. They are just adorable, thank you very much!

To my kids, thanks for putting up with me when the going got tough. Rest assured you have your father's full attention again!

Thanks

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