MEMORANDUM FOR CABINET BY THE HON MINISTER OF
TRADE, INDUSTRY AND AGRICULTURE.

Duty on tobacco imported in cut and blended form
T.N. - 24.02 (C)

      In December, 1965 the Import Duties Act, 1964 was
amended in order to postpone the levying of a higher rate of
duty on tobacco cut or cut and blended but not further manuf-
actured for another year up to 31st December 1966.

2.   In enacting this amendment it was kept in mind
that the higher rate which was originally intended to protect
local industry, had in point of fact turned out to be against
the interest of the particular industry involved.   The enforce-
ment of the higher rate would also **have** had the effect of
losing a substantial foreign market, closing down small
manufacturers with consequent discharge of employees, and
increasing the prices of Cigarettesand of tobacco for 'roll-
your own' trade which is consumed by the lower income group.
The position was to be reviewed at the end of the period of
postponement.

3.   The reasons brought forward last year for the post-
ponement of the higher rate of duty of 110 shillings are as
forceful today as they were a year ago.   My Ministry has gone
into the whole matter agian and is satisfied that, once there
are no logical reasons either from a revenue point of view or
from an industrial development standpoint, early steps should
be taken to reinstate the situation existing before the new
rate of 110 shillings per kg. provided for under the Import
Duties Act, 1964. **This recommendation has the support of the
Ministry of Finance, Customs and Port.**

4.   Ministers are requested to agree that the status
quo ante be restored.   The matter is being submitted as one
of urgency because manufacturers have to confirm export
deliveries some months in advance and they would not be able
to establish export prices and to place order**s** for either
leaf or cut tobacco unless they know that the law is to be
amended.   It is finally stressed that the above measure would
be a great encouragement to the Tobacco industry to expand its
export activities.

18th October, 1966.

vc