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Update on the proposed taxation on sugar sweetened beverages in SA

Report Categories:

Sugar
Agriculture in the Economy
Trade Policy Monitoring

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Report Highlights:

On February 22, 2017, the South African National Treasury published the Draft Rates and Monetary Amounts and Amendment of Revenue Laws Bill for public comment. The Bill details the revised plans for a tax on sugary drinks. United States beverage exports to South Africa that could be affected by the sugar tax amount to about $5 Million. Post encourages affected industries in the United States to submit comments on the Draft Bill by no later than the close of business on Friday, March 31, 2017.

Background

On February 22, 2017, the South African National Treasury published the Draft Rates and Monetary Amounts and Amendment of Revenue Laws Bill for public comment and set the deadline for comments as March 31, 2017. The Bill can be downloaded on the following link, http://www.treasury.gov.za/ . Page 24 and 25 of the published Bill, details the revised plans for a tax on sugary drinks, mainly the reduction of the sugar tax from 2.4c per 100ml to 2.1c per 100ml, and that the tax will now only apply for sweetened beverages above the 4g per 100ml threshold.

Post previously reported on the sugar tax when it was initially announced by the South Africa Finance Minister during the Budget Speech on February 24, 2016. Click here to download the GAIN report. Post also provided an update of the sugar tax towards the end of 2016 detailing the proposed implementation guidelines and implications, following the publication of the policy document by the South African National Treasury on July 8, 2016. Click here to download the GAIN report providing an update to the sugar tax.

Implications

The current revised plans and taxes on sweetened beverages, particularly soft drinks, excluding 100% fruit juices, have generated mixed views. The industry has welcomed the revised plans and reduced tax as it would prevent the loss of jobs, and also provides some respite to the sugar industry which is undergoing a difficult period following the severe droughts. However, there still remains criticism that the reduced taxes are not high enough to deter consumption of these sugary drinks, and will not address the increasing prevalence of obesity in South Africa, which is the highest in Africa. National Treasury has indicated that some of the revenue from the sugar tax will be used to support health - promotion interventions as part of a strategy to fight non-communicable diseases caused by poor diet.

The media articles below highlight the mixed views on the revised sugar tax:

- https://mg.co.za/article/2017-02-24-00-sugar-tax-only-for-the-sweetest
- https://www.health-e.org.za/2017/02/22/govt-waters-sugary-drinks-tax/
- http://www.bhfglobal.com/newssection/treasury-sweetens-sugar-tax-proposal/
- http://www.taxrates.com/blog/2017/03/06/south-africa-to-tax-soda-april-2017/
- http://www.capetalk.co.za/articles/246729/food-and-beverage-industry-gets-sweetened-deal-with-tax-relief
- http://allafrica.com/stories/201702220672.html
- http://library.pressdisplay.com/pressdisplay/showarticle.aspx?article=1c38e46a-7098-499c-9ccc-110763b53a5c&key=Lmxgr12MmDWkOt%2bxhWHZHQ%3d%3d&issue=11062017022400000000001001

United States beverage exports to South Africa that could be affected by the sugar tax amount to about $5 Million. Post encourages effected industries in the United States to submit comments on the Draft Bill to Ms. Mmule Majola (mmule.majola@treasury.gov.za) and Ms. Adele Collins (acollins@sars.gov.za), by no later than the close of business on Friday, March 31, 2017.