



SUGAR TAX ON SUGAR SWEETENED BEVERAGES



The Minister of Finance announced in his February 2016 Budget Speech that a Sugar Tax would be introduced on Sugar Sweetened Beverages from 1st April 2017. Subsequently the Department of National Treasury published a Policy Paper on 8th July 2016 and requested comments by 22th August 2016.

The Sugar Tax is strongly motivated on health grounds, but is of course a significant and very attractive source of revenue. It will be applicable to Sugar Sweetened Beverages which are beverages that contain added caloric sweeteners. It is proposed that any beverages that contain sugar naturally built (namely intrinsic sugars) into the structure of the ingredients should be excluded from the Sugar Tax (namely unsweetened milk and milk products and 100% fruit juice). The proposed tax rate is 2.29 cents per gram and equates to a 20% price impact at retail level for the most popular soft drink. The Sugar Tax will be implemented through the SA Customs & Excise tax system at source of manufacture or port of entry.

SAFJA in principle shares the concerns regarding health issues and particularly obesity. SAFJA will continue to address these concerns through voluntary industry initiatives including the science based promotion of a balanced diet within a healthy lifestyle. We are however of the view that taxation in isolation will not achieve the required health results and that furthermore if such a tax is implemented; tax revenues should be re-allocated in part to broader health initiatives which would include both education and programmes in terms of dietary intake and physical exercise.

SAFJA supports the exclusion of 100% fruit juice as these products have no added sugar and well established nutritional benefits and their exclusion is in line with international practice. They are already regulated by DAFF and in addition recommended by the USA 2015 2020 Dietary Guidelines as well as the UK 5aDay Fruit & Vegetable Programme of the NHS for healthy consumption within calorie limits. Given that the recommended amounts of fruit are not currently consumed, this confirms the essential place of 100% fruit juice in a healthy eating pattern

The introduction of a tax of this magnitude will have a significant financial impact on the beverage industry and would result in substantial price increases to consumers. On the one hand it is therefore imperative to ensure that 100% fruit juice remains excluded in the final implementation. On the other hand we are very concerned about the possible significant negative impact on the remainder of the fruit juice category and in particular that Treasury apply the tax to added sugars only in the case of for instance fruit nectars (and milk products). In this regard it is imperative to ensure that the agro-processing sector is not adversely affected and that the disruption to primary agricultural production and employment be limited as far as possible.

SAFJA is in continued consultation with the National Treasury on behalf of the fruit juice industry in order to debate the introduction of such a Sugar Tax and if implemented to advocate that it is based on sound, fair and practical principles.