1. How is the new proposal different from original proposal published in July 2016?

We have introduced a threshold of 4g/100ml below which the sugar content is not taxed. This is equivalent to almost a teaspoon of sugar per 100ml, which will not be taxed. The tax will therefore only be applied to the additional sugar above 4g/100ml. The second change is that the rate is slightly lower at 2.1 c/g, compared to the original 2.29c/g.

2. What will be the impact of the threshold and slightly lower rate?

The threshold is set at 4g/100ml, which means that every gram above 4g/100ml will be taxable at 2.1c/gram.

This means that for a can of Coca Coke, which contains has 330ml and just over 8 teaspoons of sugar, the first 3 teaspoons will be tax-free (4g times 3.3, which is approx. 3 teaspoons), and the tax rate of 2.1c/g will be applied to the 5 teaspoons. The tax will therefore be approx. 46c (or more precisedly 45.7c).

The table below provides more detail on the above example, and also does the calculation for a 500 ml and 1 litre of Coca Cola.

Rate (c/gram)	2.1		
Threshold (g/100ml)	4		
Coca Cola Sugar	10.6		
Content (g/100ml)			
			locallola
	1 litre	500ml	330ml
Sugar Content	106	53	35
Tax Free Threshold	40.0	20.0	13.2
(g)			
Taxable	66.0	33.0	21.8
Tax Due (cents)	138.6	69.3	45.7

By way of an example,

Note, 4 grams of sugar equals 1 teaspoon of sugar ((granulated))¹

3. Why is 100% fruit juice and milk exempted?

- This follows the international practice. Jurisdictions that have implemented the tax on sugary beverages have also exempted 100% fruit juice and milk.
- However many health expert have argued that 100% fruit juice should also be subject to the tax, as the natural sugar level it contains have the same or very similar negative health consequences as that of sugar added in soft drinks.

¹ <u>http://www.newhealthguide.org/How-Many-Grams-Of-Sugar-In-A-Teaspoon.html</u>

• The inclusion of the 100% fruit juice will however be considered in the future.

4. Why a Tax on Sugary Beverages?

- Fiscal measures, such as excise taxes, to promote health, prevent disease and raise revenue are increasingly used for this purpose. Globally, these fiscal measures are increasingly recognised as effective complementary tools to help tackle the obesity epidemic at a population level.
- Excise taxes may be used to compensate for the negative effects of consumption of selected goods and services or to influence consumption behaviour
- Taxes / levies can play a key role in correcting for market failures, changing relative prices (i.e. price signal) that could influence both manufacturers' production (i.e. reformulation) and consumers purchasing decisions.

5. Will the revenue be ring-fenced for health promotion?

- No, but more funding will be made available on budget to the National Department of Health to spend on NCDs intervention programmes
- The legislative earmarking of revenue is not supported it introduces undue rigidities in the budgeting process.

6. What will the impact on jobs be?

- National Treasury initially, in the original July 2016 proposal **without the threshold and slightly higher rate**, estimated that a maximum 5 000 jobs may be affected (if the industry did not innovate and reformulate for lower sugar content). However, assuming that the industry succeeds in reformulation their products, the net decline in volumes and job losses will reduce significantly if not entirely.
- The revised tax design, with a threshold, has reduced the effective tax rate, and should therefpre reduce the negative impact on jobs (assuming no reformulation).

7. Which other countries are taxing sugar-sweetened beverages?

- A number of countries such as Norway (1981), Hungary (2011), Finland (2011), France (2012), Mauritius (2013); Mexico (2014); Barbados (2015); Dominican Republic (2015) and cities such as Berkeley, California (2015); Philadelphia, Pennsylvania (2017) have levied taxes on sugar-sweetened beverages.
- Other countries such as United Kingdom (2018) are planning to implement a tax on sugary beverages and cities such as Boulder in Colorado, San Francisco, Oakland and Albany in California, and Cook County in Illinois passed taxes on sugar-sweetened beverages.

- 8. Draft legislation on the tax of sugary beverages is published with the Budget for public comment
 - The draft 2017 Rates and Monetary Amounts and Amendment of Revenue Laws Bill published on the National Treasury website <u>www.treasury</u>. gov.za with the Budget contains the draft legislation to implement the tax. It is open for public comment, to be submitted by 31 March 2017.
 - Details on the tax on sugary beverages is covered in Part from page 24 onwards in the draft bill.