

**NATIONAL ASSEMBLY  
QUESTION FOR WRITTEN REPLY  
QUESTION NUMBER: 1300 [NW1493E]**

**1300. Mrs E R Wilson (DA) to ask the Minister of Finance:**

- (1) What amount in revenue has been raised from the Sugar Sweetened Drinks Tax since its inception in 2018;
- (2) what percentage of the Sugar Sweetened Drinks Tax is ring-fenced for the Health Budget/National Strategy for Prevention and Control of Obesity 2015-2020;
- (3) what are the proposed increases in the Sugar Sweetened Drinks Tax for the (a) 2021-22 and (b) 2022-23 financial years;
- (4) how has COVID-19 affected income from the Sugar Tax to the fiscus;
- (5) whether he has received any reports and/or research on the effectiveness of the Sugar Tax on the health of South Africans; if not, what is the position in this regard; if so, what are the relevant details?

**NW1493E**

**REPLY:**

- (1) I presume the Honourable Member is referring to the Health Promotion Levy (HPL) on sugary beverages that was introduced on 1 April 2018, to give effect to health policy to counter the rise in diabetes, obesity and other related diseases in South Africa. There is no “sugar sweetened drings tax” nor any “sugar tax”.

The HPL is administered and collected by SARS. The HPL is a domestic consumption tax and payable by manufacturers in the Republic. Imported sugary beverages are taxed when cleared for domestic consumption.

The cumulative revenue collected from the on domestically produced and imported products, from inception on 01 April 2018 to 31 March 2021, is R7.9 billion. Collections in 2018/19, 2019/20 and 2020/21 were R3.2 billion, R2.5 billion and

R2.1 billion respectively. These revenue figures from both domestically produced and imported sugary beverages are published on the National Treasury website at [http://www.treasury.gov.za/comm\\_media/press/monthly/monthly\\_2021.aspx](http://www.treasury.gov.za/comm_media/press/monthly/monthly_2021.aspx).

- (2) Tax revenues from the HPL are not earmarked or ringfenced for any particular expenditures, but instead flow into the National Revenue Fund. However, additional funding for health promotion and chronic disease prevention was allocated in the National Department of Health budget (see 2018 Estimates of National Expenditure). This allocation is approximately R50 million per annum over the 2021 MTEF. The National Department of Health has spent R24 million in 2019/20 and R14 million spent in 2020/21 on the health promotion allocation.
- (3) The rate for the HPL was not changed for the 2021/22 fiscal year and no announcement has been made for the 2022/23 fiscal year. Rate and levy changes are normally only made as part of the annual Budget announcements.

In terms of revenue estimates, the 2021 Budget Review showed an expected growth of HPL collections from R2.0 billion to R2.2 billion for the 2021/11 fiscal year. Measured against the actual unaudited revenue outcomes for 2020/21, the estimates for 2021/22 were forecast to increase by R101.4 million (4.8%), with most of the growth emanating from the HPL on domestically produced products. In the next year, HPL collections were estimated to increase from R2.2 billion to R2.4 billion in 2022/23, representing a growth of R152.1 million (6.9%).

- (4) During the 2020/21 financial year, HPL collections from locally manufactured sugary drinks, which are the vast majority, contracted year-on-year by 16.4% when compared to the 2019/20 financial year. During the early stages of the hard lockdown levels, most manufacturers of sugary drinks were not classified as essential services and thus production was affected. Furthermore, it appears that the impact of the restricted sales on alcoholic products during the COVID- lockdown is one of the drivers behind the lower manufacturing of sugary drinks as demand has also fallen.

During the 2018/19 financial year the imports of HPL amounted to R1.34 billion with R53.1 million in duties collected, and imports increased to R1.45 billion with duties registering R67.8 million. In 2019/20 imports amounted to R1.23 billion with duties of R66.6 million.

The imports of HPL improved to R556.7 million and duties of R26.2 million in 2020 during the first five months of the strict lockdown, as compared to R444.4 million and R24.70 million of duties during the same period in 2019. Overall, Covid-19 had an insignificant impact on HPL collections from imports.

(5) At present there have been two studies that have been shared with the Ministry of Finance on the effectiveness of the health promotion levy. The first detailed the impact of the health promotion levy on the prices of beverages and did not find any evidence of price increases for beverages that were exempt from the health promotion levy, while those beverages that were taxed increased in price by around R1 per litre on average. The second study examined the impact of the health promotion levy on the consumption levels of sugary beverages. The study finds that there was a decrease in the consumption of taxable beverages, with a smaller increase in the consumption of non-taxed beverages, and that the impact was greater for lower income households. The citations of the two studies are provided below:

- Stacey, N., Mudara, C., Ng, S. W., van Walbeek, C., Hofman, K., & Edoka, I. (2019). *Sugar-based beverage taxes and beverage prices: Evidence from South Africa's Health Promotion Levy*. *Social Science & Medicine*, 238, 112465.
- Stacey, N., Edoka, I., Hofman, K., Swart, E. C., Popkin, B., & Ng, S. W. (2021). *Changes in beverage purchases following the announcement and implementation of South Africa's Health Promotion Levy: an observational study*. *The Lancet Planetary Health*, 5(4), e200-e208.