

Sugar tax and its bitter economic aftertaste

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The tax on sugary beverages is expected to commence on 1 April 2018. Is it really a measure to promote a healthier lifestyle among South Africans, or is it a ruse to add more money to state coffers?



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South Africa is the first African country to adopt a sugar tax and follows the lead of several other countries including Portugal, Mexico, Thailand and Saudi Arabia.

Simply stated, a levy of 2.1 cents per gram of sugar will be added on all sweetened beverages, with the first 4 grams per 100 millilitres being exempt. Practically, this means that the price of your preferred sugary beverage will increase by approximately 11%.

A sugar tax is regarded as a duty at source and is payable in addition to any prescribed duties. New rules, in terms of the Customs and Excise Act, 1964 have been drafted to assist with implementing it.

Job losses

The South African Sugar Association (Sasa) has stated that 3,129 jobs are immediately in jeopardy as a result of the Sugar Tax with small-scale growers likely to go out of production first. Moreover, Sasa predicts that 20,000 direct jobs in coastal production regions could be shed in the next five to seven years as a result of the sugar tax. This is undesirable in a country where the unemployment rate is at 27.7%, a 13-year high.

Boosting state coffers

Given that tax revenue, as described in the Medium Term Budget Policy Statements, is projected to fall short of the 2017 Budget estimate by R50.8bn (the largest under-collection since 2009) and that President Jacob Zuma recently tasked the minister of finance and Presidential Fiscal Committee to find ways to add R15bn to the nation's revenue, it may be inaccurate to state that the primary reason for imposing the sugar tax is to curb the spread of non-communicable diseases, such as diabetes, in South Africa, but what the proceeds will be ultimately used for will be telling in this regard. Moreover, as South Africa lacks a meaningful duty on imported sugar, the sugar tax may leave a sour economic after-taste rather than result in a healthier population.

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