

South African Institute of Professional Accountants

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Sugar Tax must be implemented with supporting educational programme

The new tax on sugar-sweetened drinks will have to form part of an integrated programme to change consumer behaviour and subsequently play an important role in addressing a range of health issues, says Ettiene Retief, Chairperson of the National Tax and SARS Stakeholders Committees, South African Institute of Professional Accountants (SAIPA).

Retief's statement comes in light of Finance Minister Pravin Gordhan's National Budget Speech that is to take place on 22 February wherein it is anticipated that he will confirm the implementation of the widely-debated proposed sugar tax.

"The tax on its own will raise a relatively small amount of money for the fiscus and would be unlikely to yield the full extent of the expected change in consumer patterns on its own. To do that, the government needs to implement a supporting educational and health awareness programme," Retief says.

However, it is important to note the health issue not only refers to obesity, but also diabetes, heart disease and tooth decay.

Substitute drinks

Global experience with tobacco and alcohol shows many variables have to be taken into account, including whether there is an attractive substitute product. In this case, mineral waters and sugar-free beverages are readily available. However, some consumers may simply shift to cheaper sugar-sweetened brands, highlighting the need for a complementary public-education and awareness programme.

Recently, the experience of the Californian town of Berkeley has shown that a general excise tax combined with a public-awareness campaign can yield good results. After a "soda tax" was implemented, there was a 21 percent drop in the consumption of sugary beverages, and a 63 percent increase the drinking of bottled or tap water. Only 2 percent of those surveyed said that they had begun shopping in nearby cities where the tax was not implemented.

Redeployed versus unemployed

The argument is often made that reduced consumption will inevitably mean the loss of jobs along the beverage supply chain. However, the quantum of lost jobs is hotly disputed, Retief

points out. “In addition, if consumers shift to sugar-free beverages or mineral water, it seems likely that workers could simply be redeployed—especially as most manufacturers of sugar-based beverages also have well-established low-calorie or water alternatives. But even if a few jobs are in fact lost, a sensible health policy is a moral imperative especially when it comes to protecting children.”

A more aggressive argument could be that a sugar tax could open up opportunities for smaller, local companies to supply alternative beverages. This would potentially mean the creation of new jobs and a boost to empowerment.

Poor health equals high costs

Another point to keep in mind is the high cost to the country of the diseases and chronic conditions linked to excessive sugar intake. This includes direct cost to the health care system, plus lost productivity.

World Health Organisation figures indicate that 1.5 million people died in 2012 as a result of diabetes and other chronic conditions linked to high-sugar diets. More worrying, it believes that 42 million children under the age of five are obese, a huge increase from 11 million only 15 years ago. The Berkeley study also revealed that the “soda tax” had the most impact on the lower income groups and children.

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