FACT SHEET

HEALA
Healthy Living Alliance

Evidence to support increasing South Africa's Health Promotion Levy (HPL) to 20% in 2021

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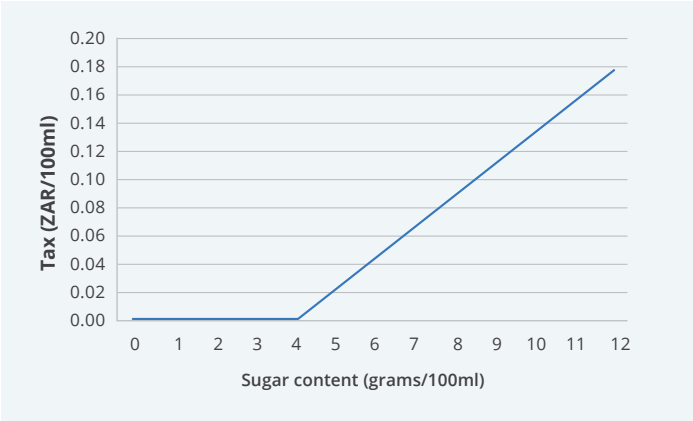
South Africa implemented its Health Promotion Levy, or HPL, in April of 2018. The HPL is a sugar-sweetened beverage (SSB) tax of approximately 11%, based on sugar content. Initial research on the price impact of the HPL has shown prices increased commensurate with the tax for taxed beverages but did not change for non-taxable beverages [1] and reduced consumption. [3]



The tax should be increased to the World Health Organisation's (WHO) recommended 20% to have an even larger impact on South Africans' health. [4] This fact sheet consolidates the latest evidence on the HPL to support this proposal.

The current HPL imposes a tax of 2.21 cents ZAR for each gram of sugar in a beverage that contains over 4g sugar per 100mL. Figure 1 illustrates how the HPL is levied based on sugar content which amounts to an approximate 11% tax. [5]

Left: Figure 1: Tax increases as sugar content increases (Saxena et al., 2019, The distributional impact of taxing sugar-sweetened beverages)

Impact of the HPL in South Africa

Evidence demonstrates that the HPL successfully incentivises industry to reformulate products and does not impact employment.

- While the HPL increases the price of taxed beverages, it has not changed the price of untaxed beverages, including bottled water and 100% fruit juices. [8]
- The HPL incentivised some beverage manufacturers to reformulate their products to contain less sugar, showing it is an effective measure to reduce sugar content and consumption. [8] An increase of the HPL to 20% would likely further incentivise reformulation.
- Evidence from public submissions by the beverage industry and industry associations shows that these groups exploited economic conditions to scare policy-makers by falsely claiming that the tax would lead to further job losses and disproportionally hurt the poor. [9]
- An analysis by PRICELESS (the South African Medical Research Council Centre for Health Economics and Decision Science) found that the HPL has not led to reductions in employment in the beverage manufacturing, food and beverage retail, and food service sectors. [10]

Reasons to increase the HPL to 20%

SSB taxes are an effective public health strategy to reduce the burden of health conditions linked to over-consumption of sugar. Increasing the HPL from 11% to 20% would further the tax's positive effects, contribute to a reduction in obesity and diet-related diseases, and provide increased revenue and healthcare cost savings.

- WHO and other global experts recommend that SSB taxes raise prices by 20% or greater to have the most meaningful impact. [4, 11-13] The South African National Treasury initially proposed a 20% tax in 2016.
- Increasing the tax to 20% will account for inflation and ensure that the tax rate is not further compromised . [14-15]
- A modelling study from 2014 found that a 20% SSB tax in South Africa would lead to an estimated reduction of 30 kJ per person per day, assuming no other behavioural or dietary changes. [16]
- A modelling study from 2016 found that a 20% tax could also offer significant healthcare costs savings for the government and South African families by averting an estimated 72,000 premature deaths and over ZAR5 billion in healthcare costs over 20 years. [17]

The Burden of Noncommunicable Diseases (NCDs) in South Africa

- An estimated 4.5 million South Africans will have type 2 diabetes by 2030. The burden of type 2 diabetes is projected to cost the South African public healthcare system over ZAR35.1 billion by 2030, close to 7% of its Gross Domestic Product. [18]
- 27% of children under five years old experience stunting (impaired growth and development), contributing to diet-related NCDs. [2]
- According to WHO, 24% of South Africans have raised blood pressure. [19] If not controlled, high blood pressure is a risk factor for developing cardiovascular diseases, stroke, dementia, renal failure and blindness. [20]

Sugary Drink Consumption and NCDs

- Excess sugar consumption is a major cause of obesity and increases the risk of type 2 diabetes, hypertension, and cardiovascular disease. [21-22]
- Sugary drinks are a significant source of added sugar. WHO recommends that individuals consume no more than 10%, but ideally less than 5%, of their total daily energy from added sugar, or 50g of sugar (approximately 12 teaspoons) as part of an 8400 kJ (2,000-calorie) diet. [23]
- Liquid forms of sugars, such as those found in SSBs, are particularly harmful to the body. These sugars are absorbed more quickly by the liver and alter the body's metabolism, affecting blood chemistry, cholesterol, and metabolites that cause high blood pressure and inflammation. These chemicals significantly increase the risk of type 2 diabetes, cardiovascular disease, tooth decay, liver disease, and 13 types of major cancers. [24-28]
- Sugary drinks have no added nutritional value. Compared to energy from solid food, liquid kilojoules found in SSBs make us feel full but have no impact on how much solid food we eat. Thus all the kilojoules in SSBs result in extra energy consumption. [24-29] Compared to energy from solid food, liquid kilojoules found in SSBs are less satisfying and will not lead to the same feeling of fullness compared to solid foods with equal kilojoules. Liquid kilojoules, therefore, result in extra energy consumption without any benefit. [24-29]

SSB Consumption in South Africa

- Over the past 50 years, South African consumers have increasingly purchased ultra-processed foods and beverages, a trend in both urban and rural areas. [2]
- Per capita consumption of SSBs increased from approximately 150 millilitres per day in 2004 to over 250 millilitres per day in 2018, as illustrated in Figure 3. [2]
  - This 100mL increase contributes an average 11g of sugar to daily consumption. A 250mL cool drink contains upwards of 26g of sugar, more than half the daily recommended limit.
- Prior to the passage of HPL, SSB sales in South Africa were growing by over 3% per year, and South Africans were among the top 10 consumers of soft drinks in the world. [6-7]

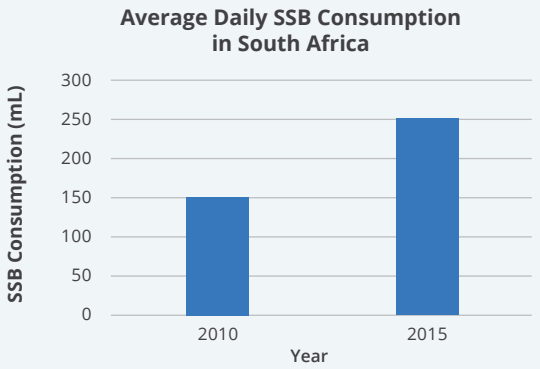


Figure 2: Average daily consumption of SSBs in South Africa (Reardon et al., 2020, "The processed food revolution in African food systems")

Obesity in South Africa

- Drinking SSBs, regardless of other behaviours, can lead to weight gain, overweight and obesity. [30-33] Decreasing SSB consumption can reduce the prevalence of obesity and obesity-related diseases. [34]
- Obesity rates in South Africa are rising. Obesity has increased significantly in the South African population since 2000 (see Figure 2). In 2018, 15% of men and almost 40% of women were obese, or 27% of the population. [19]
- At the current rate, South Africa will have the 10th highest level of childhood obesity in the world by 2030, impacting 4.1 million (28%) South African children aged 5 to 19 years. [35]
- In South Africa, obesity is one of the top five risk factors for premature death and disability. [36]
- NCDs, such as cardiovascular disease and type 2 diabetes, account for more than half (51%) of all deaths. [19]

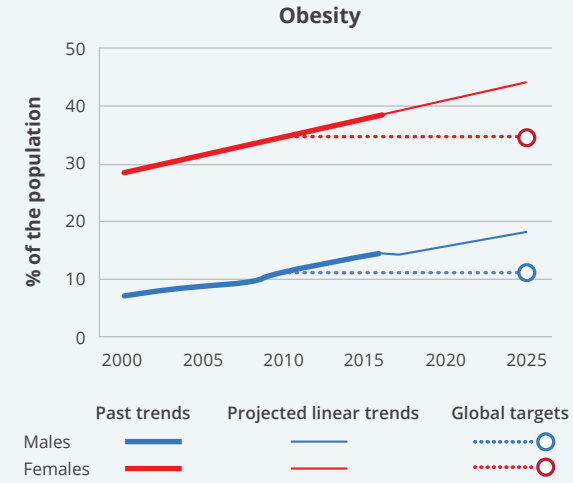


Figure 3: Obesity increasing in South Africa (WHO, 2018, Noncommunicable Diseases (NCD) Country Profiles – South Africa)

The COVID-19 Crisis

Individuals with NCDs, obesity or who are overweight **face a higher risk of severe disease and death from COVID-19. SSB taxes are an important public health policy response to the COVID-19 crisis that can reduce obesity at a population level.**

- South Africa is facing a double burden of disease: high rates of obesity and NCDs such as type 2 diabetes and cardiovascular diseases due to unhealthy diets, contributing to a population at greater risk for complications from COVID-19. [37]
- Obesity increases the risk of COVID-19 by 46%, for COVID-19 hospitalisation by 113%, of ICU by 74%, and of dying from COVID-19 by 48%. [37]
- Furthermore, stay-at-home measures have led to changes in health behaviours, such as lower amounts of physical activity and increased consumption of cheap, unhealthy processed foods and beverages, which can exacerbate overweight and obesity. [37-38]
- Strong public health policies, such as a 20% HPL, can prevent and control obesity and NCDs in South Africa and decrease the country's vulnerability to COVID-19. [37-38]

Economic Impact of SSB Taxes: global examples

Despite industry claims that the HPL would harm the economy and lead to job losses, there is no evidence linking SSB taxes to job losses in the beverage industry.

- The United Kingdom's Soft Drink Industry Levy (SDIL), implemented in 2018, is an SSB tax based on sugar content. The SDIL has effectively incentivised beverage manufacturers to reformulate their products with less sugar. By February 2019, less than a year after the SDIL's implementation, the proportion of beverages with sugar levels eligible for the tax had fallen by 34%. [39]
- An analysis of the impact of the SSB and nonessential food taxes in Mexico found no decrease in total employment, employment in retail stores, or overall national employment after implementing the taxes. [40]
- Two analyses of the city of Philadelphia's (Pennsylvania, USA) SSB tax one and two and a half years after implementation have not found any evidence of unemployment changes or job losses. [41-42]
- In Berkeley (California, USA), employment in the food sector increased 7% between July 2014 and June 2016, 15 months following the implementation of an SSB tax. [43]

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