

Sent to:

The Director-General, Treasury; the Deputy Director-General, Tax, Financial Sector Policy; the Health Promotion Levy lead, Treasury; Treasury's Parliamentary Office

From:

Leading global economics, medical and public health scholars (see below)

As leading scholars on obesity, diet-related diseases and public policy, we are writing to state that the science is clear on the harmful effects of **sugar added to beverages and the strong, beneficial, effects of your current Health Promotion Levy (HPL). Furthermore, we are greatly impressed by results from evaluations done on the current HPL. We strongly support increasing the current HPL to the initially proposed rate of 20%, nearly double the current tax rate.**

**Reasons why HPL is necessary for South Africa**

- The initial Treasury proposal gave very strong reasons for the HPL., including the following: the sugar and excess calorie consumption from beverages has been linked to diseases such as diabetes, hypertension, overweight and obesity, which are the leading causes of death and disability [later in life] in South Africa. These problems are rapidly increasing, especially for lower income and rural populations who carry the highest burden of overweight and obesity and the greatest proportions of untreated diseases such as hypertension.<sup>1-3</sup> For example, obesity places a huge burden on the individual, families, governments and society.<sup>4-6</sup>
- In South Africa, obesity related diseases (e.g., heart disease, diabetes, stroke, osteoarthritis, and some cancers) are among the top 10 causes of death, accounting for 43% of deaths.<sup>2</sup> In South Africa, obesity is one of the top five risk factors for early death and disability.<sup>7</sup> Obesity rates in South Africa are the highest in Sub-Saharan Africa and are continuing to increase rapidly, with almost 40% of women and 11% of men obese, and 69% of women and 39% of men being overweight or obese.<sup>2</sup>

**How sugar in beverages contributes to non-communicable diseases (NCDs) and obesity**

- Excess sugar consumption is a major cause of obesity and its related diseases, as excessive sugar intake causes increased risk of diabetes, liver and kidney damage, heart disease, and some cancers.<sup>8,9</sup>
- The World Health Organization (WHO) and the World Cancer Research Fund have published guidelines that individuals should consume no more than 10% of total calories from added sugar, and preferably less than 5%.<sup>8,9</sup>
- On average, a single 600ml bottle of regular soft drink (one of many types of sugary drink) alone would provide 12% of total calories from added sugars for an adult (on a 8,368 kilojoules or 2000 kcal/day diet).

- Intake of kilojoules from sugary drinks is not compensated for by an equivalent reduction in calories from other foods. When we drink sodas and other sugary drinks, we may feel full, but we do not subsequently reduce the amount of food we eat, so total calorie intake increases.<sup>10-12</sup>
- Sugary drinks often have no nutritional value and are particularly harmful to the body in liquid form. Sugar in liquid form is absorbed more quickly by the liver than the liver might be able to process and release, the excess becoming stored as fat or glycogen deposits in the liver.<sup>13</sup> This can lead to fatty liver disease and increased risks for diabetes and other NCDs.
- It is difficult for individuals to offset sugary beverage consumption with physical activity. For instance an 237ml can of regular soft drink would take 16 minutes of running and one mile of walking to offset.<sup>14</sup>

### Evaluations of the HPL

**The South African Health Promotion Levy (a sugar sweetened beverage tax), implemented on 1 April 2018, was the first major sugar-sweetened beverage tax based on grams of sugar. Locally led research from UWC and WITS has shown the following in their evaluation of the HPL:**

- This is a sugar-based tax at 0.021 rand per gram of sugar, approximately 10% of the per liter price. Prices of taxable beverages increased over the first year of the tax, while nontaxable beverage prices did not change meaningfully.<sup>15</sup>
- **Urban household purchases of taxable beverages post-implementation fell by 29%, and sugar content from these purchases fell by 51%. Importantly, lower socioeconomic status urban households reduced their sugar sweetened beverage (SSB) volumes and grams of sugar from SSBs by 32% and 57%, respectively.**<sup>16</sup>
- **Young (18–39 years old) adults surveyed in Langa, a Western Cape township about intakes of taxable beverages self-reported a 37% reduction in volume and a 31% reduction in sugar.**<sup>17</sup>
- **A longitudinal survey of adolescents and adults in Soweto, Johannesburg, found that intake fell by two times/week among medium SSB consumers and seven times/week in high SSB consumers between baseline and 12 months, and the reductions were maintained 24 months post-implementation of the tax.**<sup>18</sup>
- **Public data on employment in the sugar and beverage industries showed no statistically significant change in employment and followed pre-implementation trends despite expectations that scapegoated the levy.**<sup>19-21</sup>

### **There is a need to increase the HPL rate to the original proposed level by Treasury to further promote health**

- The COVID-19 pandemic has shown how obesity, diabetes and hypertension are key factors significantly increasing the risk of hospitalization and death from COVID-19.
- The HPL will have a long-term effect on excessive weight gain and a direct impact on reducing the risk of diabetes, hypertension and many other noncommunicable diseases.
- **The current HPL has generated revenue of 5.8 billion ZAR over the first two fiscal years of the tax being in place (approximately 0.2% of total government revenue over the same period).**<sup>22</sup>

- Doubling the HPL rate to the original proposed rate in the Treasury’s June 2016 proposal will enhance the impact of the HPL on sugar consumption. Cutting the cut-off level to 1 or 2 grams/100ml will enhance that impact.

### Revenue Impact

- The current HPL has generated significant revenue. Doubling the rate to the original proposal will increase this significantly and increase the health benefits of the HPL.
- Use of the revenue: the COVID-19 pandemic has shown both the high health vulnerability of South Africans and also the weaknesses of the current health system. Working closely with the NDOH, we feel part of the revenue should be allocated to cover health related COVID costs, and in the future, for them to strengthen preventive health services or other health prevention measures like ensuring all living in South Africa have accessible potable water.

### Signed by:

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