

The decision is in, and South Africa will soon tax the sugar content of beverages

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Following the 2016 budget speech during which the proposal to tax the sugar content of beverages was first tabled, and after 18 months of vigorous debate, the South African Parliament on Tuesday adopted the taxation of sugary drinks.

According to Treasury, the sugar tax is motivated by the high consumption of sugary beverages in South Africa, which impacts levels of obesity, and further contributes to an increase in non-communicable diseases such as diabetes and hypertension.

Various countries across the globe are taxing sugary drinks and, by way of example, the United Kingdom's tax authority has recently published draft Regulations setting out further details in respect of the levies to be imposed on their soft drinks industry.

From 1 April 2018, the sugar content of beverages will be taxed at a rate of 2.1 cents per gram of sugar, and calculated above the threshold of 4 grams of sugar per 100 ml of the beverages manufactured in, or imported into, South Africa.

In comparison, the United Kingdom draft Regulations will impose a levy on beverages that contain added sugar and at least 5 grams of sugar per 100 ml of prepared drink. A levy of 18 pence per litre will apply, rising to 24 pence per litre for chargeable drinks containing 8 grams of sugar or more, per 100 ml. Although the South African threshold is less than the United Kingdom's threshold, it appears that the levy calculation method and rates are comparable.

Although many are concerned regarding the potential impact that the sugar tax may have on the South African beverage industry as a whole, and in particular employment levels within the industry, others are singing Treasury's praises, and have made it clear that the rate of the sugar tax should be further increased in the future.

For the time being, and on average, a can of sugary soda will cost South African consumers an additional 11 percent.

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