**Health Promotion Levies**

**Comments on the RATES AND MONETARY AMOUNTS AND AMENDMENT OF REVENUE LAWS BILL: CHAPTER VB HEALTH PROMOTION LEVIES.**

30 March 2017

1. The National Council Cancel Against Smoking (the Council) is a not-for-profit organization established in 1976 with the mission of promoting public health through encouraging the creation of a tobacco free society.
2. The Council welcomes the publication of the draft Bill and the section on Health Promotion levies. We thank the National Treasury and South African Revenue Services Department for the opportunity to comment on the Bill.
3. The Council strongly supports the objectives of Chapter VB the Bill which is to establish a health promotion levy so as to reduce the consumption of sugary drinks, thereby promoting well-being and preventing disease in the population.
4. This submission briefly reviews the need for action, then makes recommendations on increasing the proposed tax rate, and finally considers how the tax may be optimally used to promote well-being.

**Background**

**The need to act.**

1. Eating foods high in sugar causes weight gain. Almost 40% of adults are overweight or obese (50% of women and 30% of men). Obesity rates are rising in school children, especially in black girls.
2. The Medical Research Council estimates that in 2000, excess body weight caused 36 500 deaths in South Africa.
3. The diseases caused by high sugar consumption costs the economy billions in treatment plus from lost productivity to industry due to ill health.
4. International evidence from Mexico, Brazil, France, plus Norway reveal that increasing the price of sugary beverages through taxation discourages consumption. This in turn will be beneficial in preventing diabetes, obesity, dental caries, and other diet-related health conditions. Diseases which are frequently worsened by concomitant tobacco use.
5. Additional evidence for the relation between price and consumption is that price promotions are an important marketing tool. Price promotions, including temporary reductions to the price of sugary beverages make products cheaper and lead to consumers buying and spending more than normal

**Recommendations on the optimal tax level.**

1. While the Council supports the tax it recommends:

* that the level of the tax be increased to 3.5 cents per gram on the total sugar content, instead of the proposed 2.1 cents per gram of sugar in excess of 4g/100ml. A higher tax rate will be more effective; and
* that all sugar containing drinks, including fruit juices, concentrates and syrups be taxed at a rate of 3.5 cents per gram of sugar. These drinks pose similar health risks to those posed by carbonated sugary drinks and there is no rationale for the exemption.

1. It would appear that the decision to reduce the tax rate from that originally proposed is somewhat arbitrary. The Council has not seen the reasoning for this reduction.
2. Based on the evidence from Mexico the optimal level of the tax necessary to significantly reduce sugar consumption is higher than that proposed in the Bill. A tax which optimises health benefits is preferable to deciding the tax rate arbitrarily.
3. **The Council thus recommends that the government set a goal of reducing the proportion of people who are overweight or obese by 10% by 2020, and set further targets thereafter**.
4. This objective is already in the National Department of Health’s *Strategic plan for the prevention and control of non-communicable diseases 2013-17*.
5. Such a goal would establish a clear criterion against which the success of the policy could be assessed, ensure the policy process is transparent, and provide certainty to industry. The tax could also be adjusted annually to meet this target.
6. This objective is part of the government’s commitment under the UN Sustainable Development Goals.

**Opposition to the Tax**

1. It is well documented that the food industry has systematically obstructed scientific research that exposes the dangers of sugar, opposed public policies designed to reduce sugar consumption, and created public confusion - just as tobacco companies lied about the dangers of smoking.
2. The tobacco industry also misused economic arguments in order to prevent the adoption of tobacco control policies. The sugar industry is now doing the same. The main argument against the tax is that it will cause job losses in the economy.
3. A World Bank analyses showed that falling demand for tobacco does not mean a fall in the country’s total employment level. Money that smokers once spent on cigarettes would instead be spent on other goods and services, generating jobs to replace any lost from the tobacco industry.
4. Research from South Africa shows that if tobacco consumption fell there would be a net gain in employment, as smokers switched from buying products that are non-labour intensive to labour intensive ones.
5. In a meeting with the Food & Allied Workers Union then Deputy President Thabo Mbeki reportedly responded to the jobs argument by saying: “ South Africa needs jobs but it needs sustainable jobs”.
6. To suggest that South Africans must keep dying in vast numbers (34500 annually) to preserve a much small number sugar industry jobs is both immoral and wrong.

**A Health Promotion Levy**

1. Funding health promotion is an investment in the future. It plays a key role in addressing pressing public health problems.
2. Its effectiveness is established. Since the 19th century, improvements in hygiene and living conditions were followed by vast improvements in health status, life-expectancy and economic prosperity.
3. Even as diseases vanished as living conditions improve, society is now actually creating conditions that favour the rise of unhealthy lifestyles and noncommunicable diseases (NCDs).
4. The UN Political Declaration on NCDs, states that prevention must be the cornerstone of the global response to these costly and deadly diseases.

1. NCD s are not just a health issue but an economic issue. NCDs increase poverty and slow economic growth. The chair of the World Economic Forum stated that by 2025: “NCDs will cost poorer countries more than US$7 trillion. When so many of the workforce is sick and dies in their productive years, national economies lose billions of dollars in output. And millions of families are pushed into poverty.”
2. A WHO study found that low-income countries could act to prevent NCDs for just US$1.20 per person per year. Measures such as tobacco control, improved nutrition, and other cost-effective measures would save literally millions of lives and dollars.
3. Around the world, various methods have been used to fund health promotion including a surcharge on unhealthy products, a levy on social health insurance or value added tax, or from the government’s general budget.
4. Botswana directly uses funds from an alcohol and tobacco levy to fund activities such as educational programmes, promoting alcohol free youth initiatives, counter advertisements, monitoring and research.
5. Other countries like Australia, Thailand, Korea, Switzerland, Malaysia have also established health promotion foundations to promote healthy lifestyles, with great success.
6. The UN’s Third International Conference for Financing for Development held in Addis Ababa in 2015, recommended a tax on tobacco to finance programmes that will fight poverty and hunger.
7. Imposing a surcharge on unhealthy products that can be directed to a health promotion foundation is a preferred option for several reasons:

a) it directly changes behaviour which benefits public health. A surcharge, by leading to an increase in prices, will discourage consumption of these products and stimulate good habits (quitting smoking or drinking less);

b) it shifts the burden of paying for actions to reduce the social, economic and health costs of tobacco, alcohol and sugar use from the government to industry. This is the basis of the polluter pays principle; and

c) it can generate significant amounts of revenue on a long-term sustainable basis for investment in public health.

1. Health promotion activities also reduce inequalities in health.

**Conclusion**

1. The Council welcomes and supports Chapter VB of the Bill. We ask National Treasury and SARS to give careful consideration to our recommendations that we believe will strengthen the Bill. We are available to discuss any of the matters raised in this submission.

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