

UPDATE ON HEALTH PROMOTION LEVY CONSULTATION PROCESS

2017 DRAFT RATES AND MONETARY AMOUNTS AND AMENDMENT OF REVENUE LAWS BILL

Standing Committee on Finance

Presenters: National Treasury | 4 October 2017



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

CONSULTATION PROCESS – 2017 Draft Rates Bill

- The 2017 Draft Rates and Monetary Amounts and Amendment of Revenue Laws Bill (Draft Rates Bill) was initially published for public comment on 22 February 2017.
- The Draft Rates Bill deals with changes in tax rates and monetary thresholds, excise duties on alcoholic beverages & tobacco products and SARS reporting requirements.
- The Draft Rates Bill also contains proposals that introduce a Health Promotion Levy to be imposed on Sugary Beverages.
- National Treasury briefed the Standing Committee on Finance (SCoF) on the 2017 Budget proposals and Draft Rates Bill on 1 March 2017
- National Treasury (NT) and SARS briefed the SCoF on the Draft Rates Bill on 23 May 2017.
- Public comments to the SCoF were presented at hearings that were held on 31 May 2017 and 6 June 2017.
- With regards to the proposed changes in the Draft Rates Bill (excluding proposed changes to the introduction of the Health Promotion Levy), NT and SARS received written comments from 4 commentators, 3 of which presented their responses orally during the public hearings hosted by the SCoF on 6 June 2017.

Since last briefing by National Treasury on the Health Promotion Levy (HPL)

- National Treasury (NT) last briefed SCoF and Portfolio Committee on Health on the HPL Jobs Mitigation and Creation Plan (JMCP) on 5 Sept 2017
- Since then, NT has:
 - Attended the first Sugar Task Team meeting;
 - Discussing implementation of the JMCP and broader policy issues related to the sugar industry
 - Met the South African Sugar Association (SASA);
 - Discussing gazetting of the new import duty
 - Met FAWU, briefing them on;
 - The NEDLAC HPL process and JMCP
 - Sugar Task Team, highlighting the need for FAWU to participate as an important stakeholder
 - Submitted comments to NEDLAC on draft HPL report;
 - Awaiting sign-off by all constituencies on final report
 - NEDLAC to provide timelines on submission of final report to SCoF

NT Consultation process on Sugary Beverage Tax

- Minister of Finance announced the proposed tax on sugary beverages in February 2016
- Various bilateral meetings with industry associations and other stakeholders were held during 2016 by National Treasury and the Department of Health
- A draft policy paper was published for public comment on 8 July 2016
- National Treasury received 144 written comments, plus 113 one page identical petitions which appears to have been orchestrated by the industry & 13 short emails / petitions
- National Treasury and the Department of Health hosted a public stakeholder workshop on 11 Nov 2016
- Standing Committee on Finance public hearings, 31 Jan 2017
- The Draft Rates Bill published on 22 February 2017 (public comments until the 31st of March), with a revised and tax rate and threshold (4g) that lower the effective tax on Sugary Beverages
- The SCoF had further public hearings on draft Bill, and NT response on 21 June 2017

Nedlac Process

- On 17 February 2017, National Treasury presented the draft policy document at Nedlac for engagement
- Nedlac agreed to convene a 6-a-side task team to engage on this matter. The task team comprised of Organised Business, Organised Labour and Government
- Other important stakeholders not part of the Nedlac process
- The task team met on the following dates:
 - 03, 18 April 2017
 - 05 May 2017
 - 08 June 2017
 - 04, 14, 17, 18, and 22 August 2017
- A final Nedlac report still to be signed-off by all constituencies

Proposed Tax Design

Initial Proposal (July 2016)	Revised Proposal (Feb'17) & Further Consultation
Scope: Beverages with added sugar: sucrose, high-fructose corn syrup (HFCS), or beverages sweetened with fruit-juice concentrates	Scope: A broader World Health Organisation definition will be applied to cover both 'intrinsic' and added sugars in a sugary beverage (i.e. total sugar content)
Tax Base: Total sugar content of sugary beverages (grams)	Tax Base: <ul style="list-style-type: none"> • Sugar content of sugary beverages (grams) • Tax-free threshold of 4g/100ml (i.e. almost a teaspoon of sugar per 100ml)
Tax Rate: <ul style="list-style-type: none"> • R0.0229 (i.e. 2.29 cents) per gram of sugar • This equates to 20%, based on the most popular sugary beverage 	Tax Rate: <ul style="list-style-type: none"> • R0.021 (i.e. 2.1 cents) per gram of sugar in excess of 4g/100ml for all other beverages • R0.021 (i.e.2.1 cents) per gram of sugar in excess of 4g/100ml for concentrated beverages (Tigerbrands submission)
Exemptions: <ul style="list-style-type: none"> • 100 fruit and vegetable juice • Milk products with no added sugar 	Exemptions: <ul style="list-style-type: none"> • 100 fruit and vegetable juice • Milk products with no added sugar • <i>(Inclusion of 100% fruit juice will be considered in future)</i>



THANK YOU