

To: Finance Standing Committee and Select Committee on Finance
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Submissions on Fiscal Framework and Revenue Proposals [2019]

Introduction

This submission on the Fiscal Framework and Revenue Proposals is made following relevant Committee's request for comment on the various proposals and bills dated 21 February 2019. This submission is made by the Priority Cost Effective Lessons for Systems Strengthening South Africa (**PRICELESS SA**) to the Select Committee on Finance and the Standing Committee on Finance in respect of the Draft 2019 Rates and Monetary Amounts and Amendment of Revenue Laws Bill [X-2019] and more specifically, in relation to the Minister's proposal that the Health Promotion Levy contained in the Customs And Excise Act 91 of 1964.

In the 2019 Budget Speech, the Minister of Finance announced that the Health Promotion Levy would be increased to 2.21 cents per gram in excess of 4 grams of sugar per 100ml from 1 April 2019 to avoid an erosion of the value of the tax due to inflation.

These submissions are intended to provide PRICELESS SA's position on the proposal to add an inflationary increase to the Health Promotion Levy.

Submissions on Inflationary Increase

PRICELESS SA supports the continued implementation of the Health Promotion Levy as a taxation on sugar-sweetened beverages (**SSBs**) as a measure to reduce consumption of sugar and improve the health of South Africans.

PRICELESS SA reiterates the importance of the Health Promotion Levy in the context of the increasing severity of the epidemic of non-communicable diseases in South Africa. The World Health Organisation recommends the use of fiscal policies like taxation as a means to reduce

sugary beverage intakes, incentivize healthy diets and reduce the burden of non-communicable diseases.¹ Though evaluations of the South African tax are still being undertaken, evaluations of other taxes have demonstrated the impact of a tax and, in particular, the impact of higher taxes. Research has shown that a tax which leads to a 20% increase in prices can lead to a reduction in consumption of around 20%, thus preventing obesity and diabetes.² However, even the lesser tax of 10% introduced in Mexico resulted in a 7.6% reduction in the purchase and consumption of sugar-sweetened beverages³

While the increase proposed is limited to an inflationary increase, PRICELESS SA supports this measure to strengthen and improve the Health Promotion Levy. We note that the increase rate of taxation is not included in the Draft 2019 Rates and Monetary Amounts and Amendment of Revenue Laws Bill [X-2019]. We would support the adoption of the Minister's suggestion through including the increased rate of taxation in the Bill before its passage.

We further recommend that the Customs and Excise Act be amended build an annual inflationary increase into the Health Promotion Levy to ensure the tax is not eroded in future years.

General Remarks

PRICELESS SA thanks the Committee for the opportunity to make written submission on the proposal and does not request the opportunity to present submission to the Committee during the oral submissions.

PRICELESS SA is concerned that the length of time granted for public comments to the Committee regarding the numerous fiscal policies and proposals contained in the budget speech is insufficient. PRICELESS SA wishes to note that the comment period was effectively three days.

About PRICELESS SA

¹ WHO Regional Office for Europe (Nutrition Physical Activity and Obesity Programme). Using price policies to promote healthier diets. In: Lifecourse DoNDat, ed. Brussels: WHO European Regional Office; 2015:41.

² Powell, LM., Chriqui JF, Khan T, Wada R, Chaloupka FJ. Assessing the potential effectiveness of food and beverage taxes and subsidies for improving public health: a systematic review of prices, demand and body weight outcomes. *Obesity Reviews*, 2013; 14:110-128.

³ Colchero, MA RJ, Popkin, BM, Ng SW. In Mexico, evidence of sustained consumer response two years after implementing a sugar-sweetened beverage tax. *Health Aff* 36(3):564-571; 2017.

PRICELESS SA, a division of Wits Health Consortium, and situated at the University of Witwatersrand School of Public Health in Johannesburg, South Africa, is a leader in applied research on health and development priorities.

The PRICELESS SA research unit aims to enable smart decisions about health policy and investments in low and middle income country settings. We provide evidence to improve the way resources are allocated and priorities are set by conducting costing, cost-effectiveness and efficiency analyses. The unit has a strong track record for research, publication and policy influencing on the critical role of health and efficiency. PRICELESS has undertaken costing, cost-effectiveness and efficiency analysis projects and provided technical assistance to support efficient resource allocation and service delivery within health sector.