



## National Treasury: Response to the 2022 Mid-Term Budget Speech Date: 31 October 2022

<p>To</p> <p><b>Hon. J Maswanganyi, MP, Chairperson Standing Committee on Finance National Assembly</b></p>	<p><b>Hon. YI Carrim, MP, Chairperson Select Committee on Finance National Council of Provinces</b></p> <p><i>via: Mr Nkululeko Mangweni nmangweni@parliament.gov.za</i></p>
---	--

### The power of the Health Promotion Levy

HEALA believes in food justice and for all South Africans to have equitable access to affordable and nutritious food. We know that this can be achieved through strengthening food policies that protect the public against unhealthy food environments and those that promote good health. The economic, household and individual costs of not realising the Right to Food are placing our people at a disadvantage to developing into a flourishing nation.

Calling the health promotion levy (HPL) the “sugar tax” does not give it justice. Since its inception, it has already shown positive results in [changing consumer behaviours](#), but it has the potential to do much more. It can protect South Africans’ [health and human rights](#) all while [increasing revenue for the government to spend on projects that enhance our people's lives](#). It even has the potential to [address climate change](#) and the threat it poses to food security and human health. However, the HPL is constantly under threat through non-transparent dealings with the private sector that dilute, delegitimize and delay the increase of the HPL to 20% - an increase that would reap many rewards.

We call on the government to wholeheartedly commit to strengthening the health promotion levy (HPL), an existing and successful health policy, that benefits both the public’s health and the National Treasury’s pockets.

### Demand for transparency

During the 2022 Budget Speech, the Minister of Finance announced a planned increase to the HPL of 4.5% - raising the levy from 2.21 cents to 2.31 cents per gram of sugar for sugar-sweetened beverages (SSBs) above the threshold of 4 grams of sugar per 100 ml to take effect on 1 April 2022. HEALA welcomed this announcement as it would be the first



increase since the HPL was enacted in 2018. To our disappointment, [the National Treasury postponed the increase to April 2023](#) to allow for broader consultations on the expansion of the HPL to include fruit juices and lower the 4g threshold of the levy. The National Treasury did not give any explanations on why this postponement was necessary for consultations nor how the decision was made. Since then, HEALA submitted a Promotion of Access to Information Act (PAIA) application to National Treasury to demand records of evidence that informed the decision to delay the increase of the HPL and to share meeting minutes between Treasury, the Sugar Cane Industry and the Consumer Goods Council concerning the HPL. A response was promised by National Treasury to be sent no later than 10 October 2022, however, we are still waiting for this response. This lack of transparency and accountability is worrying especially with regard to a food policy that helps prevent unhealthy consumption of SSBs and protects the public against obesity and other life-threatening non-communicable diseases (NCDs). HEALA demands that [comprehensive “Policy footprints” should be transparent](#) – including public knowledge of industry influence on policy, mandate disclosure of all contracts and correspondence with officials, minutes of meetings, and any supporting materials by lobbyists in the course of policy development.

## Why will HEALA continue to protect the HPL and demand for it to be increased to 20%?

HEALA strongly believes that the HPL is one of many effective ways to ensure that all South Africans are able to realise the Right to Food. Growing evidence shows that [health taxes are the most cost-effective tools for controlling the consumption of unhealthy foods](#). This is why increasing the HPL regularly while accounting for inflation is vital. As the value of the rand has declined in the past years and no corresponding HPL increase has occurred, [inflation has eroded the value of the HPL by 11% from ZAR0.026/g in 2018 to ZAR0.023/g in 2021](#).

South Africa is facing an obesity crisis with [69% of women, 31% of men and 13% of children overweight or obese](#). In [2020 the total cost of being overweight and obesity](#) was estimated to be R33,194 million (15.38% of government health expenditure). A [2016 modeling study](#) estimated that a HPL of 20% would save 72 000 lives over the next two decades, and R5 billion in healthcare costs. Evidence shows that the HPL is an effective public health policy as it has been successful in [reducing sugary beverage consumption](#) and [overall sugar intake](#), with [greater reductions in middle-LSM households than in higher-LSM households](#). If we are to end the obesity crisis in South Africa and achieve the vision of the [National Strategic Plan for prevention and control of NCDs](#), “A long and healthy life for all through the equitable access to prevention and control of NCDs+”, the government should utilize policy levers to create a healthy food environment. This includes continuous, annual, and inflation-related increases of the HPL to meet the WHO recommended HPL rate of 20% and lower the current 4g threshold.

Importantly, from 2018 until 2021 [the HPL has raised R7.9 billion in revenue](#), with billions of rands being forfeited annually by not increasing the levy to the 20% recommended rate. In order for the HPL to remain a progressive policy and ensure health equity,



[the revenue collected from taxes should also be invested in social and economic projects that benefit the lower socioeconomic groups. Revenue from SSB taxes should be earmarked for public health or social activities](#) that benefit children.

## HEALA's recommendations

The HPL needs to be increased to the recommended 20% rate and public consultations to decrease the 4g threshold and expansion of the HPL to include fruit juices are needed with urgency. HEALA also demands that National Treasury provides transparent information about any correspondence with the food and beverage industry in relation to the HPL.