

## Position Statement on the Proposed Taxation of Sugar-Sweetened Beverages in South Africa November 2016

The Minister of Finance announced in the February 2016 National Budget a decision to introduce a [tax on sugar-sweetened beverages](#) (SSBs\*), with effect from 1 April 2017, to help reduce excessive sugar intake in the South African population <sup>1</sup>. In this statement, ADSA acknowledges that many South Africans are at a greater health risk due to the high consumption of free/added sugars, and is in support of the proposed taxation of SSBs. Further, it is ADSA's position that there is a need for multiple additional interventions across multiple sectors to improve the population's diet, address undernutrition and protect against overweight, obesity and non-communicable diseases (NCDs).

### Sugar consumption and its impact on the health of South Africans

The intake of **added sugars**<sup>†</sup> appears to be increasing steadily across the South African population, in both adults and children. Children typically consume approximately 40-60 g/day of added sugar, possibly rising to as much as 100 g/day in adolescents <sup>2-4</sup>. This represents roughly 5-10% of dietary energy, but could be as much as 20% in many individuals <sup>5</sup>. A recent study investigated the relationship between added sugar intake and micronutrient intake in South African children aged 1-9 years <sup>6</sup>. The main sources of added sugar in this study population were white sugar, sugar-sweetened cool drinks (squash type) and carbonated SSBs. It was found that overweight/obesity was associated with higher added sugar intakes in the 4-8-year-old children and that a higher sugar intake dilutes the micronutrient intake of children, thus contributing to the risk of micronutrient malnutrition.

There is a considerable body of evidence indicating that high intakes of free and added sugars, particularly in the form of SSBs, increase overall energy intake and consequently the risk for overweight and obesity <sup>7,8</sup>. A recent national study found that 65.1% of South African women and 31.2% of South African men are overweight or obese <sup>9</sup>. Alarmingly, 22.9% of children aged 2-14 years are already overweight/obese <sup>9</sup>. Obesity increases the risk of NCDs such as high blood pressure, heart disease, diabetes and certain cancers. Intake of free sugars also increases the risk of developing dental caries, the most prevalent NCD globally <sup>7,8</sup>. Treating and managing these prevalent conditions places a significant financial burden on the healthcare system in South Africa.

The World Health Organization (WHO) recommends reducing the intake of **free sugars**<sup>‡</sup>, which include added sugars, to less than 10% of total energy intake, in both adults and children (i.e. 50g of sugar, which is equal to around 12 teaspoons per day) <sup>7</sup>. This is a

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\* Sugar-sweetened beverages are beverages containing added sweeteners that provide energy (measured in kilojoules or 'calories') such as sucrose, high-fructose corn syrup, or fruit-juice concentrates, which include but are not limited to: 1) soft drinks, also known as cool drinks/carbonated beverages/soda; 2) fruit drinks; 3) sport and energy drinks; 4) vitamin water drinks; 5) sweetened ice tea; 6) sweetened milk drinks; and 6) lemonade, among others. Any beverage that only contains sugar naturally built into the structure of the ingredients (i.e. intrinsic sugar) should be excluded from the tax (e.g. unsweetened milk and milk products and 100 per cent fruit juice).

† Added sugars are energy-providing sugars such as monosaccharides (e.g. glucose, fructose, galactose) and disaccharides (e.g. lactose, maltose and sucrose – called table sugar) that are added to foods and drinks during processing by the food manufacturing companies, cook or consumer.

‡ Free sugars are energy-providing sugars such as monosaccharides (e.g. glucose, fructose, galactose) and disaccharides (e.g. lactose, maltose and sucrose – called table sugar) that are added to foods and drinks during processing by the food manufacturing companies, cook or consumer, as well as sugars naturally present in honey, syrups, fruit juices and fruit juice concentrates – so free sugars include 'added sugars'. Free sugars exclude fresh fruits and vegetables, and sugars naturally present in milk.

strong recommendation, meaning that the desirable effects of adherence to the recommendation outweigh the undesirable consequences. The WHO recommends a further reduction to no more than 5% of total energy intake (i.e. 25g of sugar or about 6 teaspoons per day), for additional health benefits. This is a conditional recommendation, made when there is less certainty about the balance between the benefits and harms/disadvantages of implementing a recommendation. The South African Food-Based Dietary Guidelines also advise to 'use sugar and foods and drinks high in sugar sparingly'. These foods include confectionery<sup>§</sup> as well as SSBs<sup>5</sup>. The guidelines recommend an upper limit of no more than 10% of total energy intake being derived from added sugar, and further recommend to limit added sugar intake to less than 6% of total energy intake, especially in those at risk of the harmful effects of sugar, e.g. people who are overweight, have prediabetes, or who do not habitually consume fluoride (from drinking fluoridated water or using fluoridated toothpaste)<sup>5</sup>. ADSA acknowledges that many South Africans are consuming too much free/added sugars and thus increasing their health risks, and support the recommendations by the WHO and the South African Food-Based Dietary Guidelines to limit the intake of free/added sugars.

While sugars are found naturally in many foods, including fruits and dairy products, high intakes of free/added sugars contribute to the energy density of a diet without improving its nutritional quality. Free/added sugars are used so abundantly in our food systems that adhering to the recommendation can be challenging. For example, a 330ml can of a typical SSB contains about 35g (almost 9 teaspoons) of sugar, almost reaching the maximum daily amount of 50g recommended by the WHO.

#### **Tax on sugar-sweetened beverages as a strategy to reduce sugar consumption**

Given the high burden of obesity and NCDs, and the increasing consumption of added/free sugars in South Africa, ADSA recognises the need to address this problem. The WHO suggests reducing the consumption of energy-dense foods and that to address obesity and diabetes, countries need comprehensive action plans that combine taxation, restriction of marketing of sugary products to children, and education<sup>10</sup>. Obesity is a complex issue, and is driven by a number of factors in addition to excess intake of free/added sugars. The National Department of Health's Strategy for the Prevention and Control of Obesity in South Africa highlights multiple interventions that are necessary to reduce obesity, and have identified fiscal policies as being cost-effective and easy to implement on a wide scale<sup>11</sup>. Fiscal policy intervention has been proposed primarily as a mechanism to influence consumer purchasing. By incentivising consumers to purchase healthier foods (or dis-incentivising the purchase of less healthy foods), fiscal interventions aim to change consumption of these foods at the individual and household level, and to thus reduce diet-related risk factors for NCDs. Fiscal policy interventions can also work through changing incentives for the production and manufacture of healthy, relative to less healthy, foods by the food industry.

Evidence shows that a tax needs to be introduced at a sufficiently high level to have a meaningful impact on purchasing, consumption, and ultimately obesity and its consequences. A systematic review showed that a tax of 20% on SSBs can lead to a reduction in consumption of SSBs of around 20%<sup>12</sup>. The proposed tax rate to be implemented in South Africa, based on the current product labelling framework, is a tax rate of 2.29 cents per gram of sugar. This roughly equates to a 20% tax incidence for the most popular soft drink<sup>1</sup>.

Studies on the impact of this tax in South Africa are limited, thus it is not known how South African consumers will react. Emerging evidence indicates that food taxes have the potential to influence food purchasing and consumption. In some countries, it has been shown that when some foods become more expensive, consumers tend to look for cheaper substitutes. Beverages which are artificially sweetened (e.g. light or sugar-free versions) are an example of a cheaper substitute, and the tax may also drive

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<sup>§</sup> Confectionery refers to sweets, chocolates, cookies/biscuits, cakes, muffins, pastries, snack/cereal bars.

manufacturers to reformulate and reduce the amount of sugar in their products to prevent the tax from affecting their sales. However, it is also not known how the industry will react. A modelling study in the United Kingdom has shown the potential of an SSB tax of 20% to reduce obesity by 1.3%<sup>13</sup>. Investigating the impact of the tax on SSBs in Mexico has shown a 12% decrease in the purchase of SSBs, with a 17% decrease in the purchase of SSBs seen in the poorest households<sup>14</sup>. As each country is unique, it is difficult to predict if a SSB tax in South Africa will have the same impact. A modelling study in South Africa has predicted the effects of a 20% tax on SSBs on the prevalence of obesity, and estimates a reduction in obesity of 3.8% in adult males and 2.4% in females will be achieved<sup>15</sup>.

### **A tax on sugar-sweetened beverages is not the only answer to reduce obesity and improve health**

ADSA acknowledges that consumers do not rely only on economics when making decisions around purchasing of foods and beverages. However, national surveillance showed price is a major determinant (64.5%) of food purchasing, followed by taste (17.5%), and only 1 in 7 women considered health aspects when purchasing food<sup>9</sup>. Cultural norms may also shape purchasing decisions. Just as taxing tobacco does not reduce or stop smoking by all people, taxing SSBs will not reduce or stop all purchasing and consumption of SSBs and reduce obesity on its own. Sensibly, an SSB tax is therefore viewed and positioned as one part of a multi-pronged strategy in the fight against malnutrition in all its forms. While it is thought that vulnerable populations, including low-income consumers, young people, and those most at risk of obesity, are most responsive to changes in the relative prices of foods and beverages<sup>10</sup>, there has been some concern that taxes may add greatly to the financial burden of these groups. However, a recent systematic review including 11 studies reported that a SSB tax will result in similar population weight benefits across socio-economic strata or greater benefits for lower socio-economic groups, and although a SSB tax is consistently financially regressive, this is to a small degree<sup>16</sup>.

ADSA is in agreement that a multi-pronged, multi-sectoral approach is essential to address undernutrition and protect against overweight, obesity and NCDs. As mentioned, the SSB tax is just one action in a comprehensive package of measures described in the National Department of Health's Strategy for the Prevention and Control of Obesity in South Africa<sup>11</sup>. Other planned interventions in the strategy include the following:

- Creation of an institutional framework to support inter-sectoral engagement;
- Creation of an enabling environment that supports the availability and accessibility of healthy food choices in various settings;
- Increasing the percentage of the population engaging in physical activity;
- Supporting obesity prevention in early childhood (in-utero – 12 years);
- Communicating with, educating and mobilising communities; and
- Establishing a surveillance system, strengthen monitoring and evaluation, and research<sup>11</sup>.

**It is ADSA's position that revenue generated from the tax should be used to fund further interventions to support the implementation of the National Department of Health's Strategy for the Prevention and Control of Obesity in South Africa.** A meta-review of 11 recent systematic reviews on the effectiveness of fiscal policies for improving diets and preventing NCDs concluded that a well-designed tax system targeting non-core items, combined with healthier substitutes, does result in behaviour change. The review showed that the most convincing evidence is for the effectiveness of taxes on SSBs in the range of 20-50% in reducing consumption, and that subsidies for fresh fruits and vegetables that reduce prices by 10–30% are effective in increasing fruit and vegetable consumption<sup>10</sup>.

ADSA acknowledges that many food and beverage products, contain large amounts of free/added sugars, such as ready-meals, sweetened yoghurts, frozen desserts, some breakfast cereals, ready-to-use sauces, cereal bars, health, savoury and sweet biscuits, canned or packaged fruit products, as well as confectionery. Given the high consumption of added/free sugars by South Africans, ADSA would recommend a decrease in the consumption of all foods and beverages containing large amounts of added/free sugars. This again highlights the need for supportive interventions, such as a public education campaign, a code for responsible advertising and marketing of food by the food industry, and user-friendly food labelling, to be implemented in tandem with the SSB tax, to address the importance of reducing free/added sugar intake from all sources in the diet, and teaching the public how to recognise foods and beverages high in free/added sugars.

## Conclusion

It is ADSA's view that, while a tax on SSBs has the potential to reduce the consumption of free/added sugars and improve obesity, a tax on SSBs must be viewed as only one piece of the puzzle to address the complex problem of obesity in South Africa, and the other forms of malnutrition. Education around healthy choices and creating an enabling environment to make those choices easier for the public will still need to be a priority for all South Africans. In addition to reducing the consumption of SSBs to prevent obesity and promote long-term health, ADSA continues to recommend a healthy diet which includes whole grains, fruit, vegetables, nuts, legumes, healthy oils, proteins such as lean meats and seafood, and a reduced intake of processed meats and salt, accompanied by regular physical activity.

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