

Treasury opts to defer sugar tax implementation

Implementation of the health promotion levy - previously known as the sugar-sweetened beverages tax - will be delayed until April 2018, Treasury deputy director-general Ismail Momoniat said.



The proposed tax, which was initially due to come into effect in April, and then June 2017, has been subjected to extensive consultations both in Parliament and in the National Economic Development and Labour Council (Nedlac), which is close to finalising an agreement between the government, business and labour on measures to mitigate the effect of the proposed tax on jobs and on the sugar industry as a whole.

The tax was first announced by then finance minister Pravin Gordhan in his budget of February 2016 and a draft policy paper was published for public comment in July 2016. Further public comment was invited earlier in 2017 on the draft Rates and Monetary Amounts Amendment Bill, which contained the proposal to tax the sugar content of beverages at a rate of 2.1c/g above the threshold of 4g/ 100ml. This was a revision of the original proposal of a 2.29c tax per gram of sugar, which was equal to a rate of about 20%.

Beverages that will be exempt from the tax are 100% fruit and vegetable juices, which will be considered for taxation at a later stage, and milk products with no added sugar.

The Treasury has proposed the tax as a way of reducing the consumption of sugarsweetened beverages which contribute to noncommunicable diseases and obesity.

Momoniati and Treasury director for VAT, excise duties and subnational taxes Mpho Legote briefed a joint meeting of Parliament's finance and health committees on the Nedlac agreement thrashed out by a task team.

Several departments collaborated on a government proposal to mitigate job losses and create new jobs which would apply to the whole value chain.

The plan includes urgent short- and medium-term interventions such as trade remedies to assist the declining sugar industry, including tariffs to address cheap imports.

Momoniati said the problems facing the sugar industry preexisted the introduction of the health promotion levy, with ANC MP Derek Hanekom adding that the levy proposal might act as a welcome catalyst to tackle these problems.

The beverage industry would also need to come to the party by reformulating its drinks to contain less sugar, Legote said.

Source: *Business Day*

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