BIZCOMMUNITY

Treasury rejects claims of calamitous job losses from sugar tax

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Treasury has rejected claims of calamitous job losses resulting from the imposition of a health promotion levy.

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Industry has estimated that job losses across the value chain would number about 24,000, with 1,795 permanent and 2,835 seasonal jobs being lost in sugar cane farming.

The estimate of the Congress of South African Trade Unions is about 7,000 job losses.

But Treasury director Mpho Legote said job losses could be much lower than this.

Treasury and health officials appeared before Parliament's standing committee on finance Wednesday to present government's response to public hearings on the proposal to tax sugary beverages at a rate of 2.1c per gram of sugar beyond a threshold of 4g of sugar per 100ml.

The aim of the tax is to address obesity and non-communicable diseases.

Legote said Treasury had modelled the potential impacts of the proposed levy on sugary beverages and its initial analysis suggested that a tax of 2.1c per gram of sugar would result in a 6-8% decline in the consumption of carbonated drink volumes and potential job losses of between 5,000 and 7,000.

However, were manufacturers to reduce the sugar content of drinks by 37% on all taxable products the potential employment losses could be as low as 1,475.

Legote said Treasury had decided to focus on sugary beverages and had excluded 100% fruit juice, vegetable juice, and unsweetened milk and milk products, because sugary beverages had a high sugar content with no nutritional value whereas the exempted products did contain some nutrients. In any event, this exemption would be reconsidered in future, he said.

Treasury did not accept the argument that only added sugars should be subject to the levy and not the intrinsic sugar content of a beverage.

"It is currently difficult to distinguish between these types of sugars in the final beverage and attempting to do so will increase the administration costs of the tax. However, the application of the threshold should accommodate the presence of the 'intrinsic' element of the sugar content in the beverage," Legote said.

Treasury was not persuaded that only a tax rate of 20% or above would have a meaningful impact on consumption of sugary drinks saying this was not supported by studies.

"Given the price elasticities of the products, the proposed tax rate will still increase prices and create an incentive for product reformulation and reduce the consumption of sugary beverages and promote better health outcomes," Legote noted.

However, Treasury did accept that concentrates should be taxed at the same rate as ready-to-drink products to ensure equity.

"This will be carefully monitored as the effective tax rate is dependent on the suggested dilution rate and producers may be tempted to adjust their suggested dilution ratios after the introduction of the tax to lower their tax liability," Legote cautioned.

Treasury could also not give a commitment at this stage that the rate of tax will not be increased in future as Legote said account would have to be taken of inflation over time.

Objections to the introduction of the threshold were not accepted but would be reconsidered in about three to five years.

Source: *BDpro*