# The not-so-sweet consequences of sugar tax

South Africans may not be able to fully appreciate how far-reaching the so-called sugar tax, which Treasury introduced on 1 April 2018, really is.

Tertius Troost, tax consultant at Mazars

The wording in the Health Promotion Bill on Sugary Beverages has defined sugar as both the intrinsic and added sugar and other sweetening matter contained in any sugary beverage. “This means that the tax applies to much more than many people are probably aware of. When added to the 1% VAT increase which came into effect on 1 April 2018, it results in a substantial increase in price for most of the drinks that consumers will be buying going forward," saysTertius Troost, senior tax consultant at Mazars.

Internationally this kind of tax is not unheard of, with Mexico having instituted a similar tax in 2014, where it resulted in purchases of taxed beverages decreasing by 5.5% in 2014 and 9.7% in 2015. The UK also rolled out their tax on sugary drinks at the beginning of April this year.

The levy taxes sugary drinks at 2.1c per gram of sugar exceeding 4g/100ml. “Remember that this includes sweeteners as well. According to the legislation, this includes more than soft drinks. Waters, including mineral waters and aerated waters that contain sugar or other sweeteners are also included in this tax, as well as non-alcoholic beers. Essentially it means that even “healthy” options and so-called diet drinks have not escaped the tax.”

Consumers may however be happy to hear that the levy is not being applied across all classes of beverage containing sugar, and there are at least some exclusions. Troost points out that there are two main types of beverage that are not currently subject to this levy. "The tax is not being applied to drinks that contain natural sugars like unsweetened milk and 100% fruit juice. It looks like these may have become the best alternative for those craving a sugar fix," Troost concludes.