
The Standing Committee on Finance, having considered and examined the *Rates and Monetary Amounts and Amendment of Revenue Laws Bill* [B26 - 2017] (National Assembly – section 77), referred to it, and classified by the JTM as a Money Bill, reports that it has agreed to the Bill.

1. **Introduction**

1.1 The Rates and Monetary Amounts and Amendment of Revenue Laws Bill, 2017 (Rates Bill) includes the major tax changes that were announced in the 2017 Budget, most of which were implemented to raise an additional R28 billion in tax revenues to ensure the sustainability of the public finances. The tax changes in the Rates Bill include the changes to the personal income tax tables, such as the new 45 per cent rate on taxable incomes above R1.5 million, that were effective from 1 March 2017, an increase in the dividend withholding tax rate from 15 per cent to 20 per cent, increases in the excise duties on alcohol and tobacco, changes to transfer duties on the sale of property and increases in the medical tax credit. The Rates Bill also includes the introduction of a Health Promotion Levy, which is explained in more detail below.

1.2. Before the draft Bill was brought to Parliament on an informal basis, the National Treasury (NT) and the Department of Health (DoH) had consultations with industry associations and other stakeholders. In July 2016, NT published a draft Policy Paper for public comments and subsequently, together with DoH, hosted a stakeholder workshop on 11 November 2016.

1.3. The Committee received a briefing on the draft Bill from the NT on 23 May 2017. It also received written and oral public submissions on the Bill on 31 May and 06 June 2017. It co-held public hearings on issues related to the Health Promotion Levy (HPL) with the Portfolio Committee on Health (PoH). On the latter issue, both Committees also held joint public hearings on 31 January and 14 February 2017, even though the final processing of the Bill was done by the Standing Committee on Finance (SCOF).

1.4. On 31 May and 06 June, and particularly on the HPL, the public submissions were received from the following organisations, academics, industry associations and individuals: the School of Oral Health Sciences of the University of Witwatersrand, Priceless South Africa, Healthy Living Association (HEALA), National Council Against Smoking, South African Paediatric Association, Congress of South African Trade Unions (COSATU), Business Unity South Africa (BUSA), South African Sugar Association (SASA), Etsweletse Trading Solutions, Tiger Brands, Association for Diabetics in South Africa (ADSA), South African Non-Communicable Diseases Alliance (NCD Alliance), Society for Endocrinology, Metabolism and Diabetes of South Africa, University of Cape Town’s School of Public Health and Family Medicine, Consumer Goods Council of South Africa, South Africa Cane Growers’ Association, Tongaat Hulett Sugar South Africa, Beverages South Africa (BEV SA), Coca Cola and, Pioneer Foods. Most of these participated in the public hearings on 31 January and 14 February 2017.

1.5. On the non-HPL aspects of the Bill, oral submissions were received from South African Institute of Chartered Accountants (SAICA), South African Institute of Tax Professionals (SAIT) and South African Constitutional Property Rights Foundation (SACPRIF) on 06 June.

2. **Background to the Health Promotion Levy**

2.1 The Minister of Finance announced in the 2016 Budget the proposal to introduce a tax on sugar-sweetened beverages (SSBs). This decision came as a result of growing non-communicable diseases (NCDs) and obesity concerns in South Africa and its significant negative economic impacts. These diseases cause enormous human loss, impose heavy costs on public health systems and reduce
overall productivity by the premature death and/or disability of people during their productive years. These deaths have overtaken HIV and TB related deaths. In 2015, about 55.5 per cent of deaths were attributed to NCDs, 33.4 per cent to communicable diseases, while injuries were responsible for 11.1 per cent.  

2.2 Diets which are high in fat and sugar are “energy-dense”, and contribute to obesity and overweightness. SSBs have high sugar content, no nutritional value and are processed differently in the body when consumed compared to food. Increased consumption of sugars, particularly in the form of SSBs, is associated with weight gain in both children and adults. The Department of Health (DoH) has developed measures, including the use of tax instruments, to address the problem of NCDs and Obesity.

3. **Objective of Health Promotion Levy**

3.1 The objective of the tax on sugary beverages, as contained in the Health Promotion Levy (HPL) in the Rates Bill, is intended to:

- explicitly price sugars in sugary beverages and encourage a behaviour change in preferences towards healthier options (e.g. water, milk, etc.); and
- encourage producers to reformulate their sugary beverages by reducing the sugar content of these beverages, and to offer healthier beverage options.

4. **Consultation Process**

4.1 The Bill was referred to SCOF, but as the HPL aspect involved major health policy issues, the Portfolio Committee on Health (PoH) was requested to assist with the Bill, even though the final processing of the Bill was done by SCOF.

4.2 The SCOF and the PoH organised extensive public hearings at the beginning of this year, which involved the participation of a very wide range of stakeholders, including business, trade unions, health and other experts and NGOs. This was followed up with a further set of public hearings after the draft Bill was submitted informally to Parliament.

4.3 The Committees jointly deliberated extensively on the HPL and proposed that NEDLAC consider the matter to seek to arrive at a consensus between the contending stakeholders, and that NT and DoH engage further with stakeholders outside NEDLAC to also seek consensus among them. The SCOF received a briefing on the outcomes of the NEDLAC process from the stakeholders and a copy of the signed Agreement. The NEDLAC process focused on mitigation of potential jobs losses as a result of implementation of the HPL and produced a report detailing the mitigation plans. The NEDLAC parties agreed to the establishment of a new (non-NEDLAC) task team between key stakeholders to monitor and facilitate implementation of the jobs mitigation and creation plan in the value chain.

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4.4 SCOF welcomed the progress in NEDLAC. While recognizing that it is not possible to arrive at agreement on the issues, SCOF believes that the differences between the stakeholders have been significantly reduced, but that it is crucial that the NEDLAC Agreement be implemented. SCOF and PoH will monitor progress in this regard.

4.5 NT reported that there were further engagements with the stakeholders outside NEDLAC and the differences between the parties were reduced even if there was not complete agreement.

5. **Key Issues**

5.1 There was substantial evidence provided to the Committees on the negative health and other consequences of SSBs and a significant majority in the Committees accepted this. The discussions in the Committees revolved around whether it is necessary to have an HPL to address this and how effective it would be.

5.2 Among the main issues extensively discussed were:

- What impact would an HPL have on jobs and what can be done about reducing the negative consequences on this?
- What impact would an HPL have on emerging farmers, particularly African?
- Apart from an HPL what else is being done by DoH to create awareness about the health consequences of SSBs?
- Could part or all of the money raised through an HPL be used to tackle health issues related to obesity?

5.3 Through the NEDLAC process, the jobs mitigation and creation plan (JMCP) was developed and the social partners agreed to work together on practical projects to create jobs across the value chain including in the sugar industry, especially in rural areas. The JMCP provides a detailed programme of support which includes, tariff and trade remedies, enterprise development and co-operative development, and grants from Department of Agriculture, Forestry and Fishing (DAFF) such as Comprehensive Agricultural Support Programme (CASP), Illima/Letsema and Land Care. The NEDLAC social partners also agreed to further enhance the existing work done on the JMCP. The NEDLAC Agreement is in the Annexure to the Report.

5.4 The DoH developed a Strategic Plan for the Prevention and Control of NCDs 2013 – 2017, and National Strategy for the Prevention and Control of Obesity 2015–2020. These strategies include a comprehensive package of measures such as:

- 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 (0-12 years);
- Communicating with, educate and mobilise communities; and
- Establishing a surveillance system and strengthening monitoring and evaluation, and research.

5.5 The Committee notes that the introduction of HPL is not the only measure, but one of a multiple and multidisciplinary of other interventions already driven by the DoH, as indicated above.

5.6 The HPL forms part of this comprehensive package of measures and funding will be made available for these programmes. There is a recommendation, in the budget process currently underway, that some of the revenue from the levy be used to implement health promotion interventions targeting NCDs. The PoH will monitor progress on this.

5.7 The Committee accepts NTs argument that earmarking funds to implement these health promotion interventions would create inflexibilities in the budgeting process with few means to re-
allocate resources to areas where it is most needed (such as where there is large surplus in the UIF fund and a large deficit in the RAF fund but the amounts must remain separate). Earmarked funds also fall outside of the executive and Parliamentary budget processes, leading to less effective oversight (noting experiences surrounding the tyre levy).

5.9 Following extensive discussions within the Committees and in other structures as mandated by the Committees, NT agreed, after consultation with DoH to make concessions on its initial proposals on the HPL. This is dealt with in Section 6 below.

6. **Tax Design Features**

<table>
<thead>
<tr>
<th>Initial Proposal (July 2016)</th>
<th>Current Proposal (revised after consultations)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Scope:</strong></td>
<td><strong>Scope:</strong></td>
</tr>
<tr>
<td>Beverages with added sugar: sucrose, high-fructose corn syrup (HFCS), or beverages sweetened with fruit-juice concentrates</td>
<td>A broader WHO definition will be applied to cover both 'intrinsic' and added sugars in a sugary beverage (i.e. total sugar content)</td>
</tr>
<tr>
<td><strong>Tax Base:</strong> Total sugar content of sugary beverages (grams)</td>
<td><strong>Tax Base:</strong> Sugar content of sugary beverages (grams)</td>
</tr>
<tr>
<td><strong>Tax Rate:</strong></td>
<td><strong>Tax Rate:</strong></td>
</tr>
<tr>
<td>• R0.0229 (i.e. 2.29 cents) per gram of sugar</td>
<td>• R0.021 (i.e. 2.1 cents) per gram of sugar in excess of 4g/100ml</td>
</tr>
<tr>
<td>• This equates to 20%, based on the most popular sugary beverage</td>
<td>• This equates to around 11%, based on the most popular sugary beverage</td>
</tr>
<tr>
<td><strong>Exemptions:</strong></td>
<td><strong>Exemptions:</strong></td>
</tr>
<tr>
<td>• 100 fruit and vegetable juice</td>
<td>• 100 fruit and vegetable juice</td>
</tr>
<tr>
<td>• Milk products with no added sugar</td>
<td>• Milk products with no added sugar</td>
</tr>
<tr>
<td></td>
<td>(Inclusion of 100% fruit juice will be considered in future)</td>
</tr>
</tbody>
</table>

6.2 The HPL will be administered through the Customs and Excise Act (Act 91 of 1964) and follow the current administration system of excise taxes where duty is paid at the source (i.e. factory gate or importation). It will also rely on the food labelling of the sugary beverages as prescribed in terms of the Foodstuffs, Cosmetics and Disinfectants Act, No. 54 of 1972. For SSBs that do not apply nutritional labelling, a penalty will be applied where a sugar content of the sugary beverage will be assumed to constitute 20 grams per 100 millilitres.

6.3 It is anticipated that the HPL will be implemented on 01 April 2018, after it was originally planned for implementation in June 2017, and before that in April 2017.

7. **Necessary Compromises in the Circumstances**
7.1 Inevitably, there were extremely polarized views on the HPL among the stakeholders in the public hearings, but through regular engagement the differences were narrowed. No specific stakeholder or group of stakeholders got all they wanted but in the spirit of give-and-take, concessions were made by all key stakeholders, and the Committees express their appreciation of this.

7.2 The ultimate test is what happens in practice. The implementation of the HPL has to be monitored by SCOF and the HPL provisions in the Bill should be reviewed 3 years from their implementation following a socio-economic impact assessment.

7.3 The Committee recommends that NT make the public aware of the HPL through publicizing in a variety of ways and languages.

The Democratic Alliance (DA) reserved its position on the Bill

Report to be considered

Annexure

The NEDLAC Agreement
BACKGROUND

1.1. The Minister of Finance announced in the February 2018 Budget a decision to introduce a tax on sugar-sweetened beverages (SSB) with effect from 1 April 2017 to help reduce excessive sugar intakes. This announcement came against the backdrop of a growing global concern regarding obesity stemming from the overconsumption of food which includes sugar as an ingredient. Obesity is a global epidemic and a major risk factor linked to the growing burden of non-communicable diseases (NCDs) including heart diseases, type 2 diabetes and some forms of cancers. NCDs are the leading causes of mortality globally, resulting in more deaths than all other causes combined, and the world’s low and middle-income populations are the most affected. The problem of obesity has grown over the past 30 years in South Africa resulting in the country being ranked the most obese country in sub-Saharan Africa.

1.2. The Department of Health developed a Strategic Plan for the Prevention and Control of NCDs 2013 – 2017, and National Strategy for the Prevention and Control of Obesity 2015 – 2020. These strategies set an ambitious target of reducing obesity prevalence by 10 per cent by 2020. The latter strategy has identified that taxes on foods high in sugar is an important element in a strategy to address diet related disease.

1.3. Since the announcement, National Treasury has had meetings with industry associations, academics, NCDs and other stakeholders.
1.4. On 08 July 2016, National Treasury published a draft Policy Paper for public comments with the comment period closing on 22 August 2016. This was followed by a stakeholder workshop on 11 November 2016.

1.5. National Treasury has also invited comment on the policy which indicated either strong support for or strong objection against the Health Promotion Levy (HPL).

1.6. On 17 February 2017, National Treasury presented the draft policy document at Nedlac for engagement. Nedlac agreed to convene a 6-a-side task team to engage on this matter. The task team comprised of Organised Business, Organised Labour and Government. The list of Task Team members is attached as annexure D.

1.7. The task team met on the following dates:
   - 03, 18 April 2017
   - 05 May 2017
   - 08 June 2017
   - 04, 14, 17, 18, and 22 August 2017

2. Context

2.1. The tax is being proposed within a context of low growth, high and increasing unemployment and a sugar sector that is in decline.

2.2. The beverage industry faces particular constraints and there are pressures elsewhere in the wider value chain.

2.3. Business states that only about 3% of calories in the SA diet come from added sugars, raising concern that a single category has been identified for the HPL leaving out all other food categories.

2.4. Between the period 2000 to 2017, Business observed a gradual loss of 70 thousand hectares of sugar cane out of 430 thousand hectares. This loss in area of sugar cane equates to 25 thousand direct jobs.
2.5. The pricing conditions in the sugar industry differ significantly from other industries trading in a free-trade environment with no significant government subsidies and support. The world sugar market is characterized by a wide range of government interventions, policies and support mechanisms not only directly in the sugar market but also in the form of subsidies in the bioethanol market that result in major distortions in the world sugar market and a price that is generally suppressed. Successful sugar industries finding alternative uses for sugar require a successful partnership between sugar value chain, labour and government.

2.6. The beverages industry cost inflation rate of 7.4% outpaced CPI by 2 percentage points, despite which the industry has to date managed to create growth with jobs creation.

2.7. Government is required to implement its economic and developmental policies, including the NDP.

3. OBJECTIVES OF THE TASK TEAM

3.1. The primary objective of the Task Team is to engage on the potential socio-economic impact of the proposed tax on sugar-sweetened beverages.

3.2. Recognising that the proposed SSB tax has been presented to Parliament in the Rates and Monetary Amounts Amendment of Revenue Laws Bill, the Task Team will seek to propose mitigation measures against the negative impact on any job losses from the proposed SSB tax and take into account all health measures intended to address the obesity challenge.

3.3. Government notes that it is rare to find agreement of all stakeholders on any tax proposal, and is not expecting stakeholders to agree to the tax in principle, or all the details related to the rate and structure of the tax. The main focus in the terms of reference therefore relate to mitigation steps to be taken to deal with possible job losses arising from the implementation of the tax.

3.4. The task team will:
3.4.1. Engage on the Socio-economic Impact Assessment (SEIAS), including considering the studies undertaken and assumptions made in order to identify areas which are likely to have a material negative economic impact and health impacts through the introduction of a SSB tax.

3.4.2. Engage on a proposal in relation to a jobs plan that works on proposing mitigation measures to address the identified negative economic consequences, preventing job losses and creating jobs, and considering health measures that could be adopted. This would need to include appropriate policy measures as well as support measures from government for a transition away from over consumption of sugar, etc.

3.4.3. Make proposals regarding the scenarios and studies for further consideration by the task team. Undertake a detailed analysis of the sugary sweetened beverages proposals put forward by constituencies with the view of reaching consensus, which is mindful of optimal means to secure and grow jobs and the economy whilst achieving reduction in obesity and NCD prevalence.

3.4.4. Develop a report on its work for submission to the PFMP Chamber, Manco, Parliamentary Standing Committee on Finance, and the Ministers of Finance, Labour and other relevant ministries. The report will reflect the position of the different parties, the reasons for their positions and areas of agreements or disagreements.

4. The principles

4.1. The following broad principles have been agreed:

4.1.1. The social partners will work together in a collaborative manner to address job losses and measures to mitigate job loss and to create jobs.

4.1.2. The social partners agreed to work together to address health issues.
5. Areas of Agreement

5.1. The social partners all made inputs on what they quantified would be the jobs impact of the HPL. While no agreement was reached on the jobs impact numbers, the social partners have agreed that joint, independent research needs to be undertaken in the proposed task team, in order to quantify the job and economic impact of the HPL and to further enhance the existing work done on the proposed jobs savings and creation plans as at section 6.

5.2. Parliamentary standing committee on finance has requested an independent study into the economic and job impact, especially upstream of SSB being the sugar cane value chain. The social partners agree to the need for an independent in-depth study which can further target or refine the jobs mitigation plans detailed in section 6. The study requested by parliament has not yet been commissioned. The social partners agree that it would be necessary for a Nedlac task team to continue to function and oversee the conduct of such research.

5.3. Social partners agreed that obesity and NCDs are a challenge and that a multi-sectoral approach is needed including population based and targeted approaches.

5.4. It was noted that 100% fruit juice has been excluded from the HPL. It was agreed that if government decided to include 100% fruit juice, or, make other structural changes to the HPL which would impact the jobs savings and creation plans as detailed in section 6, government will engage in a public consultation process which will include Nedlac.

5.5. It was agreed that the social partners will work together on practical projects in creating jobs across the value chain as part of the job mitigation plans as outlined in section 6.

5.6. The social partners agreed that job loss and loss of farming activity and the impact on the rural economy in the sugar industry is of major concern and needs to be addressed.
6. Approach to Developing a Jobs Mitigation Plan

6.1. In developing a jobs plan the task team considered a variety of positions. Consequently, 3 key plans are noted for this report:

6.1.1. The first is the Jobs Mitigation and Creation Plan (JMCP) proposed by government (Attached as Annexure A).

6.1.2. The second is the plan proposed by Labour attached as annexure B.

6.1.3. The third is the Health, Economic and Jobs Plan proposed by Business (Attached Annexure C)

6.2. Business sees some merit to some aspects of the JMCP but cannot support the JMCP plan in a tax environment. Business believes that some of these initiatives could be explored further within the context of the continued work of the task team. However, business recognizes that certain subsectors in the value chain face acute challenges at the moment and are affected by reformulation, irrespective of there being a tax or not, and would require implementation of targeted measures in the JMCP immediately to alleviate job loss.

6.3. Business sees some merit in Labour’s proposal

6.4. Labour supports government’s JMCP and sees merit in business’ plan. Labour believes that consideration should be given to a phased in or transition approach to the proposed HPL.

6.5. Government sees some merit in some of the jobs creation and preservation initiatives in the plan presented by business. Government believes that some of these initiatives could be explored further within the context of the proposed task team. Government concurs with labour that some of the elements of the proposed mitigation plan should be implemented pre-emptively and pro-actively to mitigate impact of a tax.

6.6. Government notes that the JMCP presents options that are currently available from various government departments and agencies or in terms of the law. Most of the proposals in the JMCP require stakeholders to apply for any specific benefit through the normal application processes, to be considered by
the board or controlling body through its normal processes, without prejudice to other applicants.

6.7. Government further clarifies that beneficiaries of the JMCP should not expect any additional incentives to be extended to them as part of the JMCP. However, there is a commitment from Government to engage beneficiaries on issues highlighted in the JMCP, for example, on the diesel refund scheme, and there should be no expectation on the outcome of such engagement.

7. Areas of disagreement

7.1. Business does not agree that a SSB tax should be implemented. It has a proposal that it believes will achieve and exceed the required health objectives without job losses in the beverage industry and lower job impacts across the value chain. (see annexure C)

7.2. In the event that the HPL is implemented, business holds the view that appropriate elements of job mitigation plan needs to be implemented ahead of the HPL becoming effective in order to maximise job retention.

7.3. Business further holds the view that the impact of mitigation needs to balance with the impact of the HPL. In order to create jobs, the mitigation needs to be greater than the impact of the tax.

7.4. Labour does not support the introduction of tax in the current economic climate and employment levels.

7.5. Business is concerned that Treasury has not provided substantive comment as to why businesses' proposal (see annexure C) should not be proceeded with rather than a HPL - given that it would meet or exceed all objectives of the intended HPL, with optimal jobs mitigation and be enforceable by government through regulation. The same approach has been taken with other industries, e.g. salt reduction.

7.6. Government disagrees with Business that it should have substantive comments to the Business proposal given that it has engaged intensively on the underlying science and policy framework, and given the scope of the task team terms of reference.
7.7. Government recognises the input made in the Nedlac process to strengthen the JMCP by social partners, however government disagrees with Business that:

- Further research is required before the HPL is implemented.
- Developing plans only in the context of a non-tax environment is the only way to guarantee that no job losses occur in the beverage industry.

7.8. Government policy is that the science underlying the negative impact of obesity is sound, and whilst it is open to further and ongoing research and evidence-based facts, rejects the view that any action to reduce the consumption of sugary beverages be delayed because more evidence is needed.

7.9. Government stands by its view that failure to act will impact negatively on jobs (via early death, sickness and absence), and that the direct impact of lower consumption of sugary beverages will also create benefits and new job opportunities that exceed any adverse effects.

7.10. Business is concerned that in order for the JMCP to be effective more would need to be done that what options are currently available as noted in clause 6.8 and 6.7

8. Areas of concern for Business

8.1. Business registered its concern that the task team’s mandate is limited to only dealing with the consequences of the HPL, and not the HPL policy itself, resulting in the task team not having an impact on whether a tax is the best measure to meet health and economic objectives.

8.2. Business is concerned that government’s JMCP requires a coordination and alignment across multiple government departments and agencies and if this is not achieved, mitigants proposed in government’s plan will not achieve intended outcomes, much like with the recent poultry industry experience.

8.3. Business is concerned that proceeding with the tax will work against the National Development Plan (NDP) 14 outcomes.

8.4. Business reiterates its call to have meaningful engagement on tax policy in Nedlac, including during the early stages of policy formulation.
8.5. Business is of the view that the actual causality of sugar consumed via SSB’s and obesity in South Africa has not been independently established based on food and beverage intake from a Total Dietary Study for SA.

8.6. Business is of the view that:

- Job losses under an HPL would likely be 17 000 to 24 000 jobs lost.

- McKinsey Global Institute rating of a tax as an intervention is rated as an ineffective or low order intervention, and this is not recognised in the proposed HPL.
Annexure A

1. GOVERNMENT'S PLAN

1.1. JOBS MITIGATION AND CREATION PLAN FOR SUGAR VALUE CHAIN

1.2. Key Principles

1.2.1. Jobs Mitigation and Creation Plan (JMCP) to be developed and activated to address potential job loss as a result of SSB tax implementation.

1.2.2. JMCP aims to:

- Prevent/ lessen job loss in the value chain
- Stabilise industries and employment in the value chain.
- Create jobs, alternative employment, sustainable livelihood and entrepreneurial opportunities in the value chain.
- Smooth the transition and mitigate the negative impact of job loss.

1.2.3. JMCP will draw on commitments from all stakeholders including application of existing government measures; measures by business; and specified actions by labour.

1.2.4. Measures, commitments and impacts need to take account of the full economic cost of the HPL.

1.2.5. Intervention is and commitments are required along the entire value chain including:

- Sugar as a collective benefitting both growers and millers
- Sugar farmers (both large and small holder producers)
- Millers
- Service providers to the sugar can value chain
- SSB producers (both established and emerging/ smaller players)
- Logistics, distribution and retail of SSB products

1.2.6. Generic interventions that will assist sub sectors that have not yet been specifically mentioned or examined, should be applied where they will be of assistance. More detailed consultation, analysis needs to take place with other subsectors in the value chain going forward.

1.2.7. Intervention needs to be broad (i.e. for the sector) as well as sub-sector specific, where appropriate

1.2.8. The urgent interventions are targeted for the short and medium term

1.2.9. To help facilitate the success of intervention. The task team recommends the establishment of the JMCP task team that develops specific, measurable, achievable, realistic and time-related (SMART) criteria that can be monitored and evaluated; the task team meet and report to principles. The department of economic development will convene the task team.

1.3. JMCP

1.3.1. JMCP activation, implementation and monitoring requires:
- Policy measures (e.g. trade policy, section 169 of LRA, TLS, supply side measures, agricultural policy)
- Institutions (e.g. ITAC, CCMA, DFTs, SABs, UIF, SETAs, TVET Colleges, Land Bank)
- Stakeholders (Government – including NT, DAFF, DOL, DSBD, the dti, EDD, DOE and government entities; business – SASA, BexSA; labour – Cosatu, DBE, DHET, DoH, Do, Busa)
Social dialogue for implementation, monitoring, and continued work on the value chain through a Sugar Task Team

1.4. Timing and Priorities (the examples identified are not exhaustive)

1.4.1. The following identifies timing of measures to be implemented and these strategic priorities associated with each time period. This is followed by a range of examples. The list is not exhaustive and information is not detailed. Sections below provide further detail on how these instruments or activities may be implemented.

1.4.1.1. Short Term

- Holding position while adjustment begins & avoid major disruptions

- Trade remedies, tariffs to address the rapidly increasing levels of imports, and the decline of the industry

- CCMA, DOL & TLS

- Reformulation begins

- Standards, labelling, buying local, audit and campaign

1.4.1.2. Medium Term

- Supply & demand side measures to grow appropriate subsectors the value chain & improve competitiveness

- Designation, local procurement, labelling & development of markets

- Co-operative development
- Development finance fund for land reforms and small scale farmers, DFI's to promote economic and social development.

- Investigate the viability and modalities of extending the insurance coverage to small holder sugar farmers.

- Development of preferential export markets and ease of access thereto

- Alternative crop development

- Address competitiveness

- Bioethanol

- Cogeneration

1.4.1.3. Long Term

- Engagement on long term prospects for the industry and employment in the industry

1.5. Cross cutting issues/stabilisers

1.5.1. Tariffs and trade remedies

1.5.2. Competitiveness (see slide)

1.5.3. Designation and local procurement in large companies and unions – problem of verification

1.5.4. Enterprise development & co-operative development

1.5.5. New product development along the value chain e.g. agricultural products, co-gen products, bio-ethanol

1.6. Agriculture: Large Producers

1.6.1. Aims:

- Stem retrenchments (CCMA and DoL)
- Assist in finding alternate markets for sugar including direct and indirect markets; export support
- Address competitiveness including:
  - Co-generation
  - Bio-ethanol pilot plant where/when viable
  - Trade support (imports tariffs and trade remedies)
  - Funding support

1.6.2. Measure include:
- LRA and Training Layoff Scheme (CCMA, DOL)
- CASP (Conditional Grant by DAFF and National Treasury for diversification)
- Agro processing scheme (from IDC and the dti)
- Funding and support from Land Bank and Ithala Bank (KZN)
- Land Reform Programme Recapitalisation (Department of Land Reform & Rural Development)
- EMIA from the dti and other support to export e.g. unblocking; identification of viable export markets
- Unblocking (EDD)

1.7. Agriculture: Small Holder Producers

1.7.1. Aims to:
- Stem closure and associated job loss
- Lessen vulnerability; support for adaptation and shocks e.g. insurance
- Assist in finding alternate markets for sugar including direct and indirect markets; export support; as well as support for new crop development

- Address competitiveness

- Trade issues (imports tariffs and trade remedies)

- Funding support

1.7.2. Measures include:

- LRA and Training Layoff Scheme (CCMA and DoL)

- CASP (Conditional Grant by DAFF and National Treasury for diversification)

- Illima/ Letsema (Grant by DAFF)

- Land Care (Grant by DAFF)

- Agro processing scheme (from IDC and the dti)

- Funding and support from Land Bank and Ithala Bank (KZN)

- Micro Agricultural Financial Institutions of South Africa (MAFISA)

- Land Reform Programme Recapitalisation (Department of Land Reform & Rural Development)

- Extension and Advisory Services (DAFF)

- Co-operative development/ small business development (SDMD and the dti) and unblocking (EDD)

1.8. Competitiveness

1.8.1. Critical infrastructure programme – capital equipment for agro-processing; helps on water & electricity

1.8.2. Input costs
- Fertiliser
- Transport
- Water & electricity (Eskom advisory on reducing costs via EDD)
- Co-generation unblocking for large companies

1.8.3. Other assistance

1.8.3.1. Extension and Advisory Services (for smallholder producers)

1.9. Enterprise development & co-operative development

1.9.1. Co-operative development to:
- Lower the cost of inputs
- Improve competitiveness
- Employment opportunities (link to health benefits etc.

1.9.2. Enterprise development to:
- Reduce vulnerability of small retail outlets
- Address small beverage producers issues

1.10. Other commitments

1.10.1. Health and education programmes to also create jobs using workers who may be disaffected by SSB

1.10.2. Do in conjunction with business and expand
- ECD centres with social development
- Partnering government on park gyms, big walks

1.10.3. Jobs will follow the extent of mitigation and appropriate measures will need to be defined.
1.10.4. Unions – recruit, monitoring, procurement, education & training, buy local campaign.

1.10.5. Initial implementation activities to take place within the next 3 month quarter.

1.10.6. EDD will host a sugar task team within 2 weeks.

1.10.7. SASA will meet NT to unblock small holder farmers’ access to the diesel refund scheme.

1.10.8. SASA will present its draft safe guard/tariff application and parties will identify where they are able to provide support to the safe guard/tariff application.

1.10.9. SASA will identify small holder farmers and EDD will link them to Eskom for advisory services on electricity.

1.10.10. Parties will meet with DTI to provide them with information to request the initiation of research or designation of process.

1.10.11. SASA to organise workshops in Mpumalanga and KZN, and government to co-host including on the following:

- Presentation on the diesel refining scheme
- Comprehensive producer support policy

1.10.12. EDD will assist the beverages industry through hosting a beverage industry task group in the next 3 months in order to remove blockages which are contributing to operational inefficiencies and costs, and to facilitate increased local procurement including, inter alia:

- Import duties on citric acid
- PET import duties
- Cross-bordering green channeling of trucks
- Development of local wrapping
Annexure B

2. LABOUR’S PLAN

2.1. Labour agrees with government on the diabetes, obesity and NCD health crisis and its relation to the over consumption of sugar, however labour does not believe a tax in this economic climate is the correct intervention.

2.2. Labour recognizes the pending reality of an SSB tax and believes it is critical to achieve maximum consensus between government, business and labour for a plan to meet the health objectives, grow the economy and saves jobs.

2.3. Labour thus proposes a phased in approach to the tax that would give industry sufficient time to adjust and prepare. This would need to meet government’s health objections e.g. reformulation to reduce sugar and calorie content and be attached with clear timeframes, enforcement mechanisms, penalties and job commitments. Labour supports government’s JMCP.

2.4. Labour also sees merit in business’ plan.
BUSINESS PLAN: MEASURES TO BE IMPLEMENTED TOWARDS SUGAR REDUCTION AND JOB PRESERVATION IN AN ENVIRONMENT WITHOUT A HEALTH LEVY

3.1. The industry does not understand the challenge to be a health or an economic one, rather the industry understands South Africa to be facing both an economic and a health challenge. Thus, the industry proposes a response that addresses both of these challenges in equal measure, i.e. reduce sugar consumption while preserving and creating jobs.

3.1.1. Sugar Intake Reduction

3.1.1.1. The Non-Alcoholic Beverage Industry, through BevSA and the CGCSA, has made a set of commitments to the Department of Health (DoH) that contribute to the reduction of sugar intake by South Africans. These commitments form part of the Healthy Foods Options Industry Initiatives (HFOIs) wherein the DoH is provided with independent SABA reports on progress. The industry commitments exceed the proposed Health Levy target sugar reduction impacts by up to four times, in other words this initiative has four times the impact on sugar reduction that DoH is hoping to achieve through the health levy. In this initiative, the Non-Alcoholic Beverage Industry has made the following commitments:

3.1.2. Reformulation to Reduce Sugar Content
3.1.2.1. The Non-Alcoholic Beverage Industry has committed to reformulating their products to reduce sugar content by at least 15% by 2019.

3.1.3. Introduction and Increased Marketing of Zero, Diet and Light Options

3.1.3.1. The Non-Alcoholic Beverage Industry has committed to introducing and increasing the consumption of zero, diet and light options across the Industry. Industry has further committed to increasing advertising of these options and use price incentives to support this initiative towards the zero, diet and light options.

3.1.4. Reduce Pack Sizes

3.1.4.1. Industry has committed to reducing pack sizes across the range of the products, some example of which include the following:

- 2.25 litre options have been removed from the market by BevSA members;
- Introduction of 1.5 litre option as a family pack size;
- Reduction of the single serving size;
- Introduction of smaller pack sizes.

3.1.5. No Marketing to Children Under 12 Years

3.1.5.1. Members of BevSA & CGCSA have committed not to market their full-sugar products to children under the age of 12 years. To give effect to this commitment members have undertaken the following initiatives:

- Removal of school labelling boards in primary schools;
3.2. No Jobs Losses

3.2.1. Businesses through the beverage industry is committed to reduce the amount of sugar sold through our beverages while preserving jobs at the bargaining unit level and endeavoring to align beverage industry with other industries as well as labor initiatives for optimal job preservation and growth beyond the beverage industry. Business in the beverage industry will keep jobs constant at the bargaining unit level until 2020.

3.3. Additional Job Preservation and Creation Initiatives

3.3.1. Industry has committed itself to playing a positive and constructive role in the transformation agenda of South Africa, the need to sustain and create jobs, and to growing the economy. In this regard industry, has proposed to explore and commit to supporting the following initiatives in a no tax or levy environment:

- Move to 100% local sugar procurement (especially supporting black farmers) where pricing is competitive and supply is adequate and guaranteed

- Establishment of a Transport Entity

- Stretch & Shrink Wrapping (Import Substitution) –

- PET recycling –

- Serve as an offtake for sugar industry ethanol production –
- Health and physical Activity Promotion. Business already supports the Big Walk events nationally and can increase support for similar initiatives.
- Network of ECD’s
- Healthy lifestyle booklet with DoH and DSD
- Black industrialists on food grade phosphoric acid (import substitution)

*The capital investment required to undertake all the above, while preserving and growing jobs, can only be affected in a no HPL environment. Business cannot reformulate and innovate, preserve jobs and pay a tax in addition to this.

3.4. **Hold us Accountable**

3.4.1. We propose an independent monitoring mechanism that includes government, business and any other stakeholders that government may require. This can be referred to as the Beverage Industry Sugar Monitoring Committee.

3.4.2. Independent verification of these commitments by SABS who will verify the sugar reduction in products.

3.4.3. Business accepts that it cannot simply police itself; therefore sample products from all BevSA members will be tested by SABS to ensure sugar reduction occurs on schedule. Regular reports will be sent to DoH by agreement with the department.

3.4.4. **Regulate the Commitment**

3.4.4.1. Business through the beverage industry recommends that these targets of 15% reduction in sugar and job preservation and growth be regulated, with penalties for missing any target. This will ensure adherence and
manage possible free riders who may import cheap high sugar products.

3.4.5. Why we can’t save jobs and meet these commitments under a HPL

3.4.5.1. The cost of paying tax, reformulation and changing packaging and many other production costs makes it impossible not to reduce overhead costs, i.e. jobs losses. Without a tax, the cost of these steps will still ensure sugar reduction targets take place and jobs can be saved. That means what government has stated is the objective of the HPL without job losses.

3.4.5.2. Business through the beverage industry undertakes to implement the above in an environment in which no tax is in place.

3.4.5.3. In the event of a HPL the industry would be required to cut sugar levels more deeply and rapidly and at greater immediate expense to counter a tax and therefore could not preserve jobs in this scenario of an HPL in place

3.5. KEY CHALLENGES FOR THE BEVERAGES INDUSTRY IN A TAX ENVIRONMENT

3.5.1. In an environment wherein a health levy is implemented, the industry will likely have a 25% reduction in consumption which will have a devastating impact in the industry value chain, both upstream and downstream, inter alia the following areas:

- Packaging industry (cans, bottles, plastics and glass);
- Sugar cane farmers and millers;
- Transportation and logistics;
- Printing and labelling;
- Small retailers and spaza shop owners;
- Chemical suppliers and future phosphoric acid supplies;
3.6. In all these areas there will be job losses that will be difficult to mitigate.

3.7. Business supports the necessary and required JMCP (Annexure A) for the sugar value chain for a reformulation and no tax scenario.

**Annexure D: Task Team Members**

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<thead>
<tr>
<th>Business Constituency</th>
<th>Government Constituency</th>
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<tbody>
<tr>
<td>1. Paul Bondi</td>
<td>1. Raymond Masoga</td>
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<td>2. Wolfgang Fechter</td>
<td>2. Mpho Legote</td>
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<td>3. Ian Hirschfield</td>
<td>3. Ismail Momoniat</td>
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<td>5. Mapule Ncanywa</td>
<td>5. Lynn Moeng</td>
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<td>6. Olivier Serra</td>
<td>6. Faried Adams</td>
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<td>7. Tyson Sibanda</td>
<td>7. Warren Harris</td>
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<td>8. Glenn Sheppard</td>
<td>8. Tanya Van Meelis</td>
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<tr>
<td>1. Matthew Parks</td>
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<td>2. Jan Mahlangu</td>
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</table>
3. Sidney Kgara
4. Lebogang Mulaisi
5. Mpeane Lepaku
SIGN-OFF ON THE NEDLAC REPORT ON THE PROPOSED SUGARY SWEETENED BEVERAGES TAX

The sugary sweetened beverages tax proposals were tabled for consideration by Government in the Public Finance and Monetary Policy Chamber task team meeting of 03 April 2017. The task team signed-off the Nedlac report on proposed sugary sweetened beverages tax. We, the Nedlac Overall Conveners hereby sign-off on this matter.

Ketso Mogokoatse
Name: Overall Convener – Business
Signature: Business
Date: 05.07.2017

Vuyolwethu Sibanda
Name: Overall Convener – Government
Signature: Government
Date: 04.10.2017

Rashee Naicker
Name: Overall Convener – Labour
Signature: Labour
Date: 05.10.2017