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Health concerns behind new sugar levy

By Shepstone & Wylie's Customs team

As most people are aware, the Sugary Beverages Levy (SBL) will come into effect on April 1 and applies to consumers, manufacturers and importers of sugary beverages.

It is a new health promotion levy introduced in support of the Department of Health's deliverables to decrease diabetes, obesity and other related diseases in the country. As such, the intention is to utilise the proceeds levy towards health educating and healthcare.

The SBL has been introduced to deter consumers from consuming sugary drinks and to prompt manufacturers into reducing their production of sugary beverages. While the introduction of the SBL may mark a small victory for public health, groups such as the Healthy Living Alliance are of the view that the levy is still too low to act as real deterrent.

There have been proposals for a higher rate of 20% per can of a sugary beverage, which is hoped will be more of a deterrent than the current rate of 11%.

While the SBL may be a step in the right direction in ensuring a reduction in the consumption of sugary beverages, it is interesting to note that fruit juices will be exempt from the levy despite their high sugar content and health professionals repeatedly pointing out that fruit juice is as bad for a person, if not worse, than high sugary drinks.

The South African Revenue Service (SARS) will be the enforcement and collection agency of the SBL.

All manufacturers of sugary beverages were required to undergo licensing and registration with SARS as from February 2018, although the levy itself will only be applicable to manufacturers that produce beverages with more than a total annual sugar content of 500kg (micro manufacturers are exempt from the levy).

Imported beverages will be taxed when they are entered for home consumption and locally manufactured products will be taxed in terms of the duty at source principles.

A licensed manufacturer's liability for duty will terminate when proof of payment of the levy and proof of entry for home consumption has been provided to SARS. Where goods are exported liability for the levy will cease on production of proof of exportation and receipt in the export country.

To ensure it only collects the levy on beverages manufactured after April 1, SARS has stated when selling beverages manufactured before this date, licensees must endorse all invoices or delivery notes stating that the beverages were manufactured before April 1.