Alcohol and SSB excise tax in South Africa

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SSB taxes (Health Promotion Levy)

- Original proposal: a 20% tax on SSBs.
- Following extensive lobbying by the beverage and sugar industries, the final tax was weakened.
- In April 2018, the Health Promotion Levy (HPL) was introduced.
- Taxes the sugar content, not the volume of the beverage.
- Specific tax: first 4 grams/100 ml are exempt; thereafter 2.1 cents per gram of sugar (= R21.00 per kg).
- From 1 April 2019: 2.21 cents per gram of sugar.

Change in sugar content before and after the HPL

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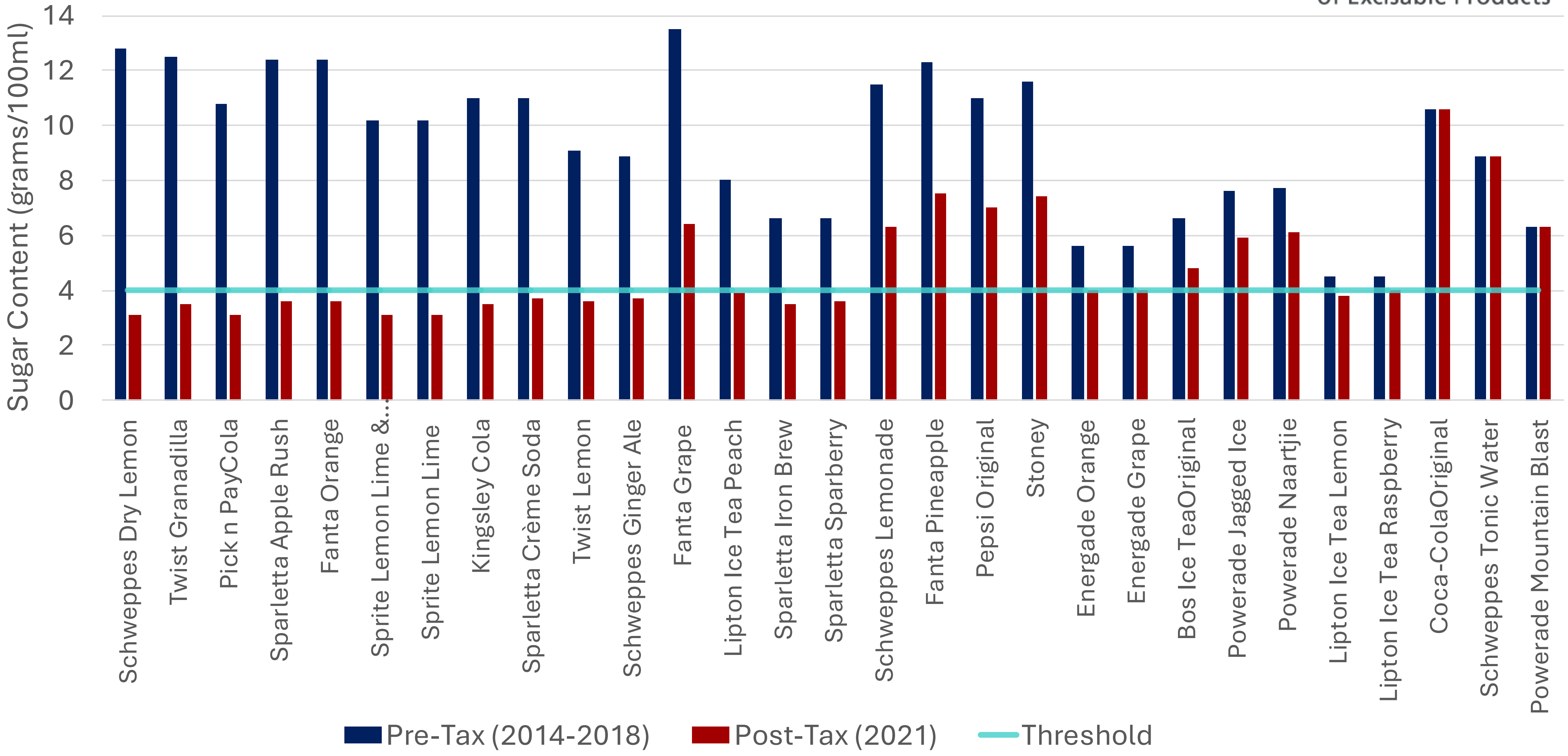

Impact of the HPL on government revenue

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Fiscal year	HPL revenue (R million)	Annual change
2018/19	3,195	–
2019/20	2,446	−23.4%
2020/21	2,046	−16.4%
2021/22	2,082	1.8%
2022/23	2,195	5.4%
2023/24	2,245	2.3%
2024/25	2,282	1.6%
2025/26	2,356	3.2%

After an initial decline, HPL revenue has increased steadily since 2020/21, but remains below its first-year level.

In 2025/26, HPL excise revenue = 0.03% of GDP

Source: Source: National Treasury Budget Reviews; authors' calculations

Estimated daily intake in grams of sugar per capita

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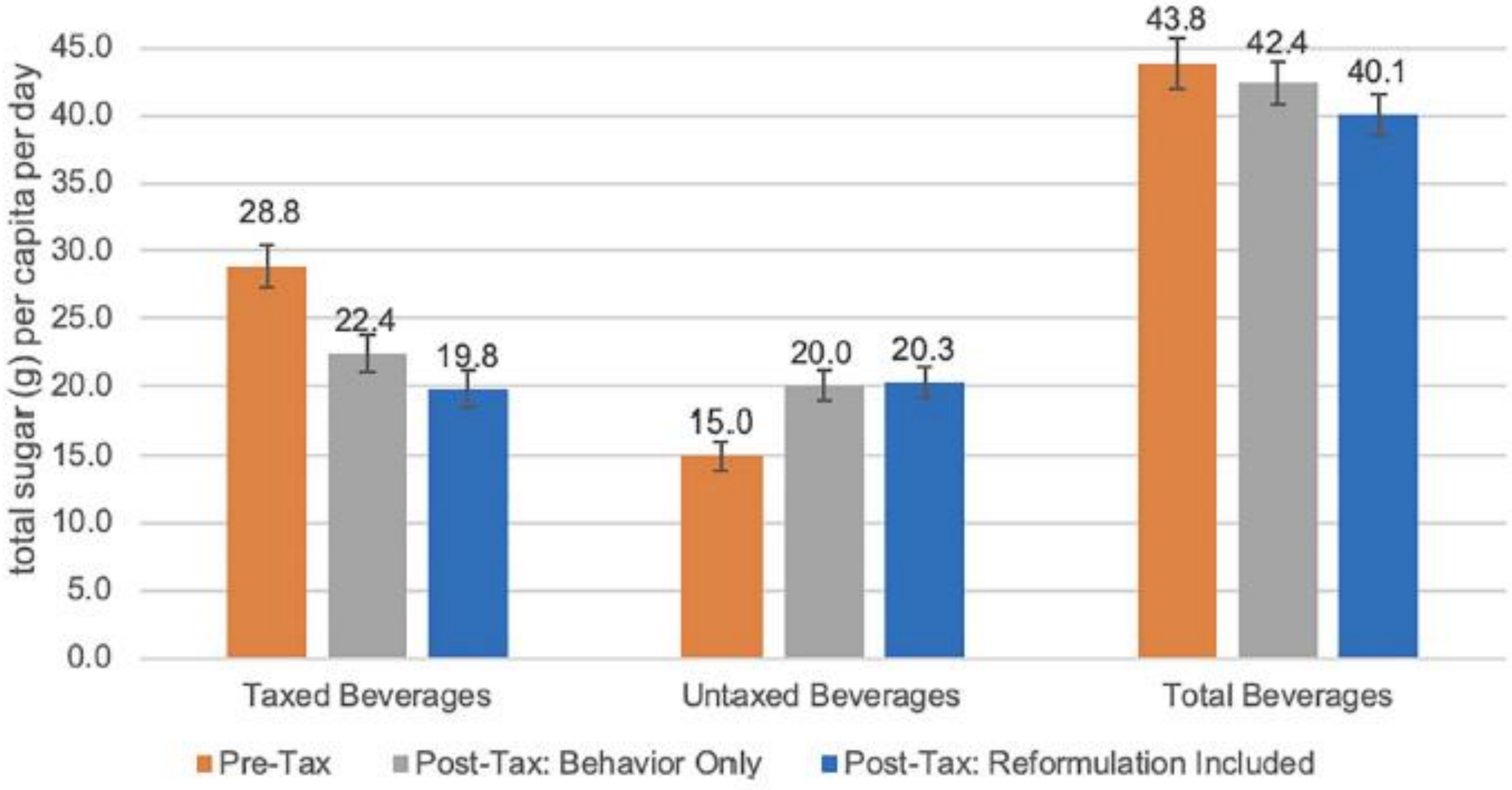


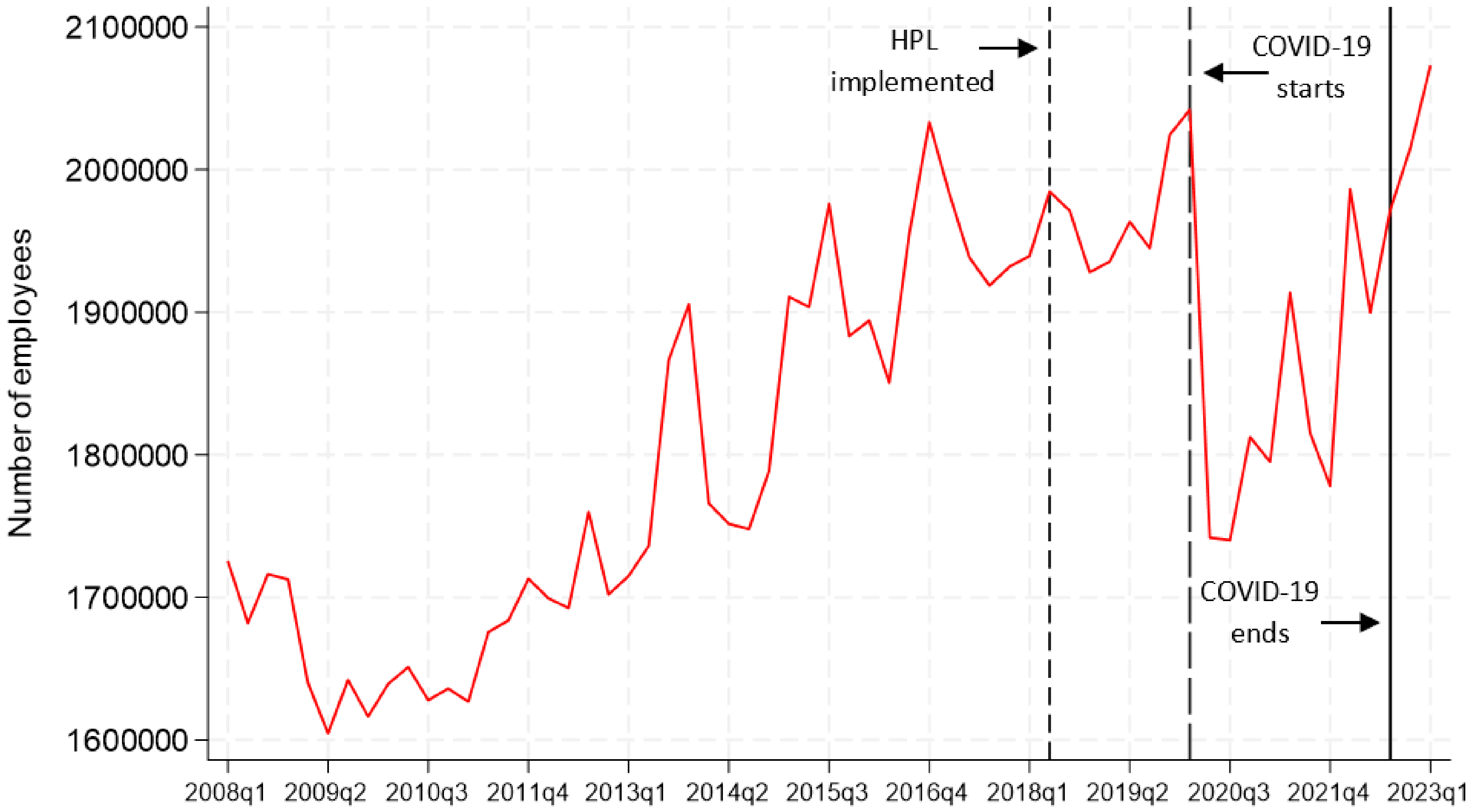
The HPL reduced daily sugar intake, driven by both product reformulation and changes in consumer behaviour

Source: Essman et al (2021). https://journals.plos.org/plosmedicine/article?id=10.1371/journal.pmed.1003574

Industry backlash & job loss warnings

- Beverage and sugar industries launched strong opposition campaigns.
- Oxford Economics study (commissioned by BevSA) projected:
  - 60,600 to 70,700 job losses
  - Threats to rural livelihoods, shops, and small-scale farmers
- Media widely reported these projected economic impacts: predicted economic fallout, mill closures, & informal sector collapse.

Employment outcome of HPL



No evidence that the HPL affected employment in sugar-related industries.

Source: Dare et al (2025). https://doi.org/10.1186/s40795-025-01012-6

Lessons from South Africa

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- When an industry feels threatened by an intervention, it exaggerates the economic consequences of such interventions.
- Independent research provides a more credible assessment of policy impacts.
- Since 2019, the levy has remained unchanged in nominal terms and has therefore declined substantially in real terms.
- The key criticism is the levy has not been regularly indexed to inflation.

Alcohol excise taxes

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- In 1998, the beer excise tax was changed from volume-based to alcohol-content based.
- In 2001, the spirits excise tax was changed from volume-based to alcohol-content based.
- Reasons for the change:
  - → Products with more pure alcohol pay more tax,
  - → Better reflect alcohol-related harm,
  - → Reduce distortions between products,
  - → To align South Africa's excise system with international best practice

Tax structure: alcohol

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- Specific tax is set to achieve a targeted tax burden, based on **average price** of product.
- Wine: a specific tax on the **volume** of beverage.
- Beer and spirits: a specific tax on the **alcoholic content** of beverage.
- Government policy is to increase excise taxes by at least expected inflation.

	Targeted excise tax burden (% of average price)	Excise tax (2026/27) (Rands)	Excise tax (2026/27) (USD)
Wine	11%	R6.15 / L of beverage	$0.37 / L of beverage
Beer	23%	R149.98 / L of AA	$9.10 / L of AA
Spirits	36%	R302.84 / L of AA	$18.38 / L of AA

Beer & spirits

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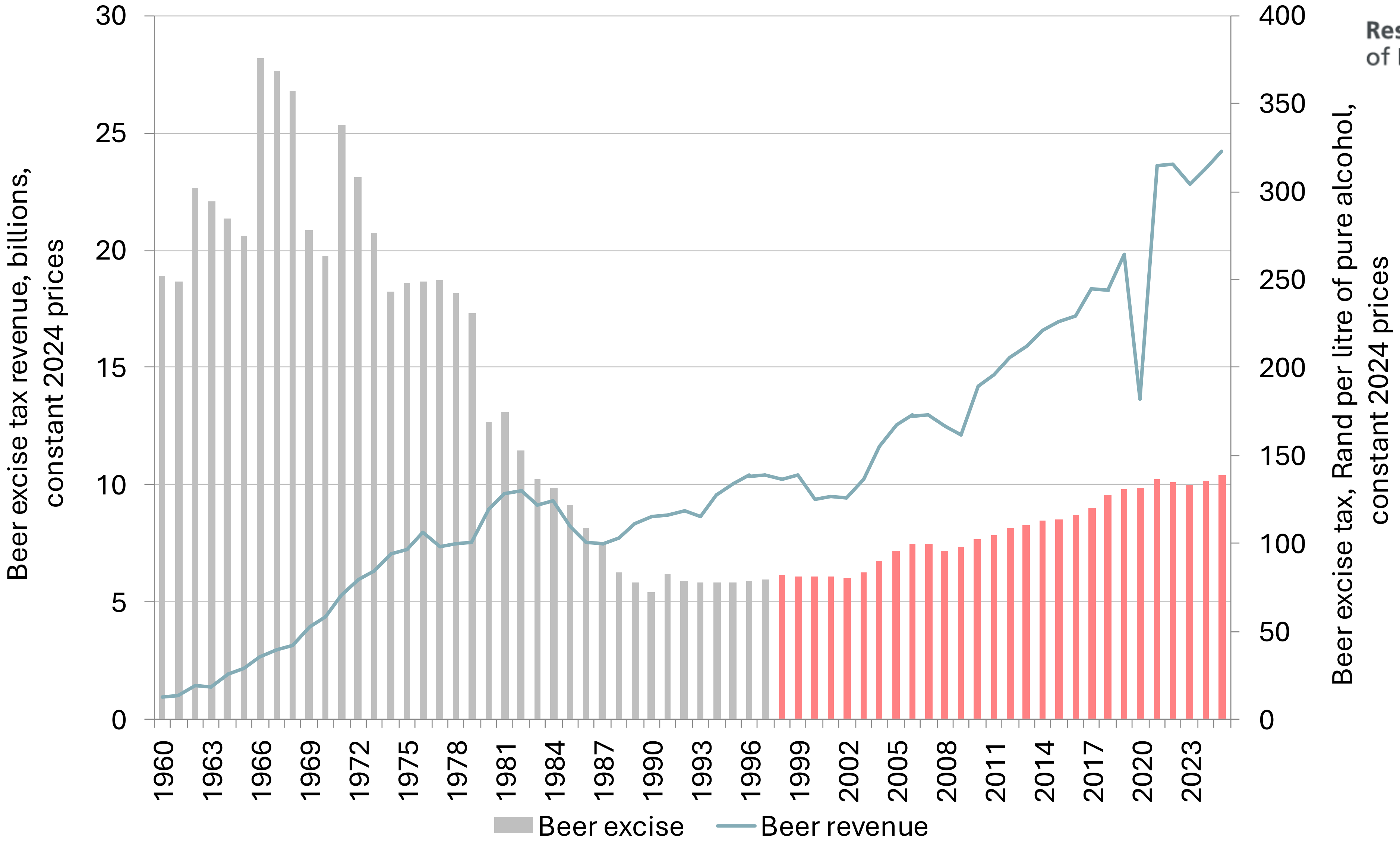
- Taxing beer and spirits on alcoholic content encourages producers to reduce the alcohol content of beverages.
- This has happened: more advertising and promotion of ‘light’ products.
- Beer and spirits industries are highly concentrated.
- Relatively easy to monitor alcohol content of standardised products.

Wine

- There is no incentive to reduce alcoholic content.

Beer: excise tax and excise revenue

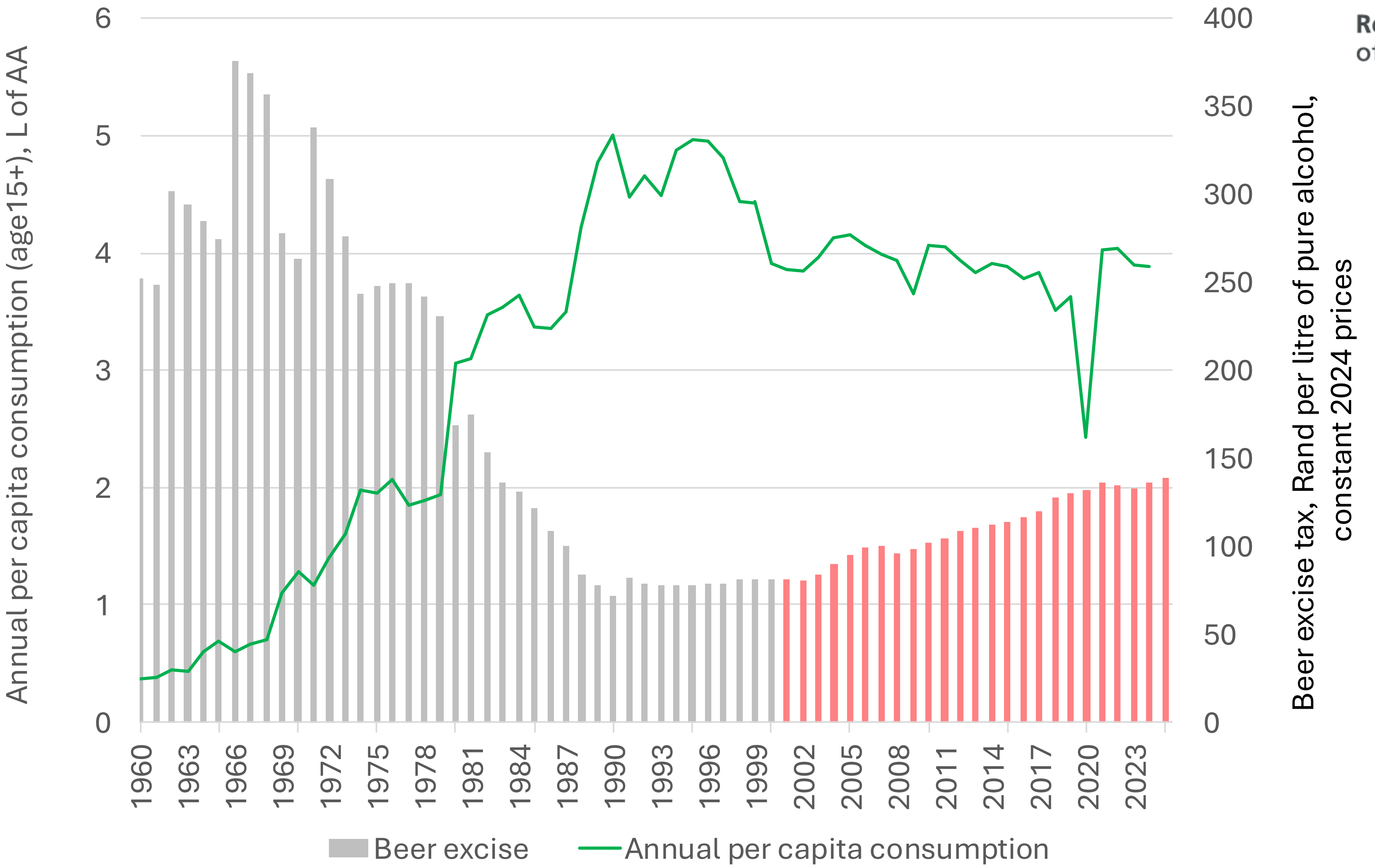


From 1990s, higher beer excise taxes have resulted in substantial growth in real excise revenue.

In 2025/26, beer excise revenue = 0.3% of GDP

Source: Source: National Treasury Budget Reviews; authors' calculations

Beer: excise tax and consumption



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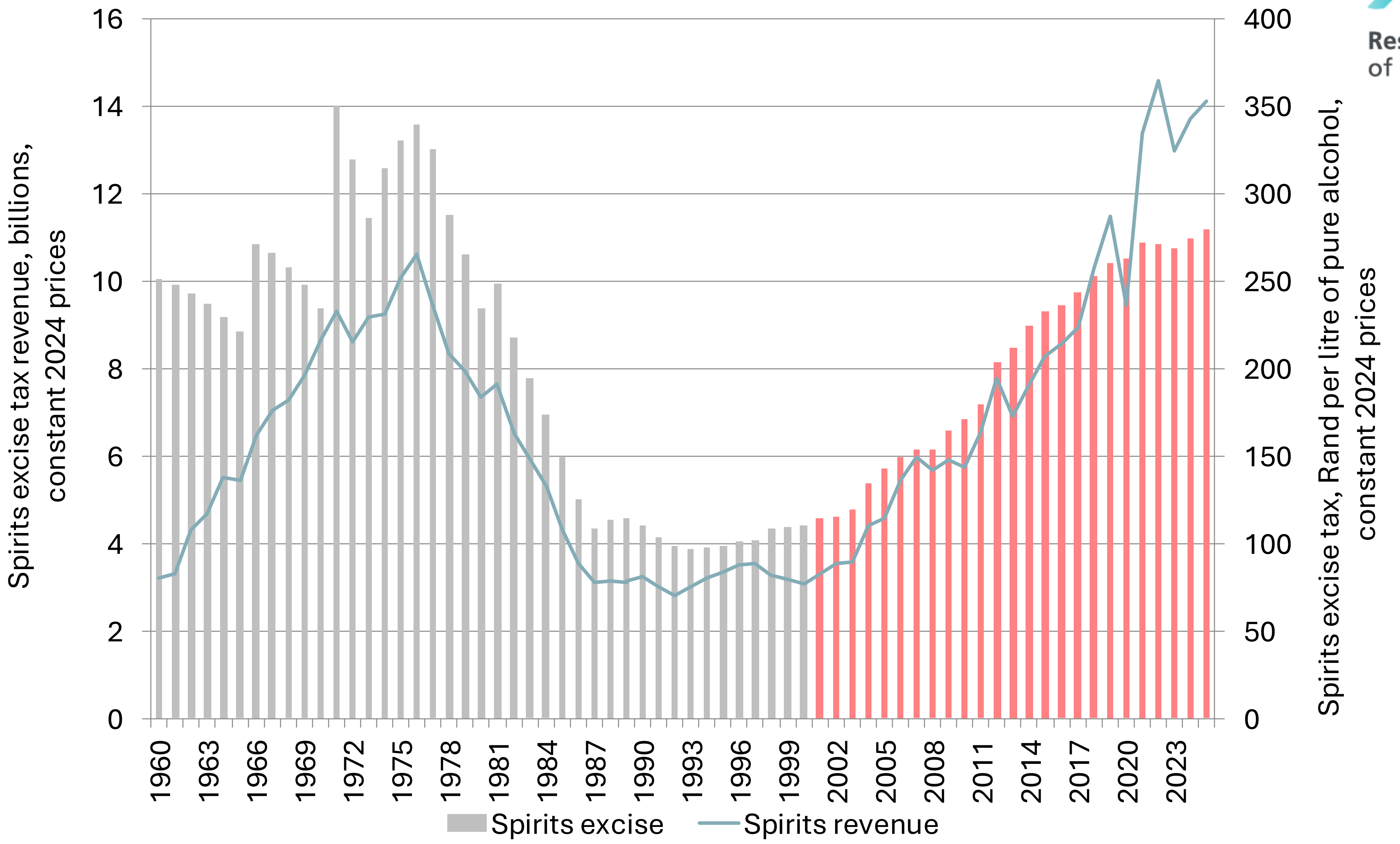
From 1990s, consumption has fallen while tax levels have increased.

Source: Source: National Treasury Budget Reviews; authors' calculations

Spirits: excise tax and excise revenue



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Higher excise taxes lead to higher excise revenue.

In 2025/26, spirits excise revenue = 0.2% of GDP

Source: Source: National Treasury Budget Reviews; authors' calculations

Spirits: excise tax and consumption

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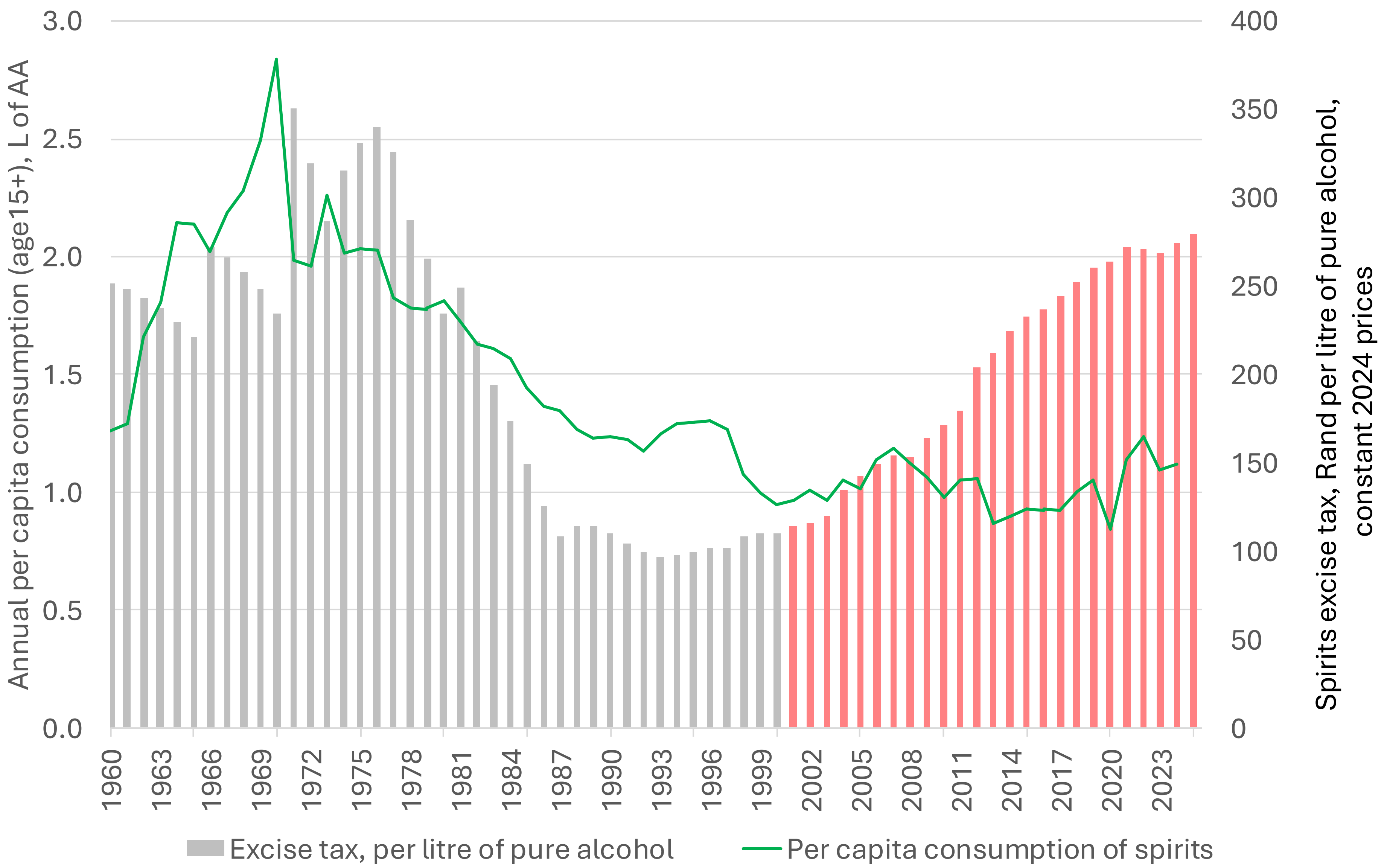

From 1990s, consumption has fallen while tax levels have increased.

Source: Source: National Treasury Budget Reviews; authors' calculations

Conclusion

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- Best practice is a **specific excise tax based on alcohol content**, directly targeting the harmful component (ethanol).
- Well-designed tax systems create incentives for **lower-strength products** and improved public health outcomes.
- Regular tax increases are essential to reduce **affordability over time**.
- Concerns about illicit alcohol should not prevent excise tax increases.
- Strong tax design, combined with effective enforcement, delivers positive health and fiscal outcomes.

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Thank you

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