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## What South Africa's sugar tax achieved – and how to strengthen it

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- Within two years of implementation, the Health Promotion Levy cut sugar from taxed soft drinks by about one-third.
- Total sugar from all sugary drinks fell far less because consumption and production shifted toward untaxed products as well as reformulation.
- To increase health gains, governments should broaden coverage, index the levy to inflation, and transparently recycle revenues into prevention and nutrition programmes.

Overweight and obesity are rising rapidly in Africa, increasing the burden of diabetes and cardiovascular disease.

Taxes on sugar-sweetened beverages (SSBs) are among the most cost-effective policies to reduce excessive sugar intake. This brief summarises new evidence on South Africa's Health Promotion Levy (HPL), implemented in April 2018, and draws lessons for improving its impact.

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## Policy and research context

The HPL applies to non-alcoholic beverages with more than 4g of sugar per 100ml, taxing each gram above the threshold. This design encourages both consumers to reduce purchases of high-sugar drinks and firms to reformulate products to avoid the tax.

### What the evidence shows

Using administrative excise returns filed by manufacturers and importers, we observe sugar cleared in both taxable and non-taxable drinks. This allows us to measure reductions in taxed sugar and quantify shifting toward untaxed products.

- Taxed sugar fell sharply: the levy reduced sugar from taxable beverages by around 33% within two years.
- Shifting responses were sizable: sugar in non-taxable SSBs rose by about 15%, dampening the reduction in total sugar.

Overall, total sugar from all SSBs declined by roughly 15% over 2018–2022, meaning a large share of the response came from reformulation and substitution rather than an equal-sized fall in total sugary-drink sugar.

### Implications for policy design

South Africa's experience shows that sugar taxes can substantially reduce sugar from targeted drinks, but overall health gains depend on limiting substitution and maintaining the real value of the levy.

**The levy cut sugar from taxed drinks by about one-third – but total sugar fell far less because the market shifted toward untaxed products.**

Three design features matter for strengthening the HPL: coverage, the effective (real) tax rate over time, and how revenues are used.

- First, broaden product coverage (or lower the threshold) to reduce incentives to shift to untaxed sugary alternatives. One example would be to eliminate the blanket exemption for pure fruit juices.
- Second, index the specific tax to inflation so the deterrent effect does not erode.
- Third, improve transparency and consider recycling revenues into prevention, nutrition, and treatment programmes.

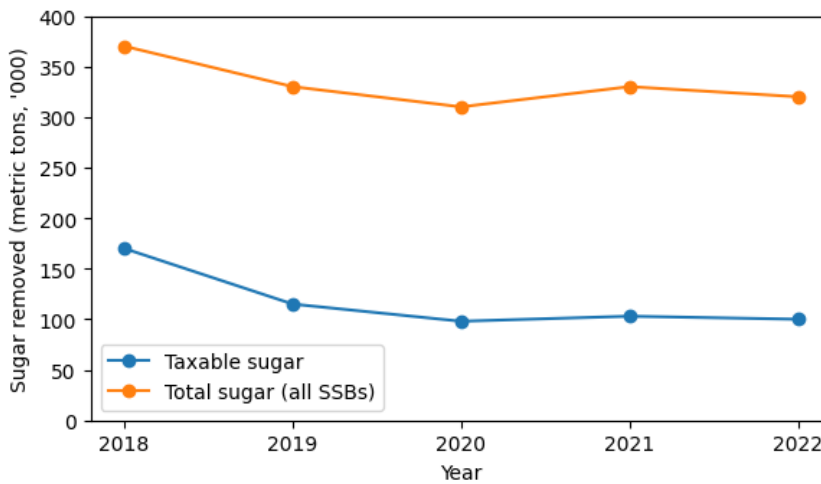
## Key takeaway

South Africa's Health Promotion Levy substantially reduced sugar from taxed soft drinks. However, substitution and reformulation muted the reduction in total sugary-drink sugar.

A broader base and inflation indexation would increase long-run effectiveness; targeted use of revenues can further amplify public health benefits.

Ongoing monitoring is essential: policy success should be judged on total sugar consumption (not only taxed products), distributional impacts, and the use of revenues to improve health outcomes.

**FIGURE 1: Taxable vs. total sugar cleared in SSBs (2018–2022)**



**TABLE 1: Estimated changes in sugar from SSBs after the HPL**

Indicator	Estimated change	What it captures	Implication
Sugar from taxed SSBs	-33%	Direct reduction in taxable sugar	Large impact on high-sugar products
Total sugar (all SSBs)	-15%	Net change after substitution	Total health gains through beverages
Sugar from non-taxable SSBs	+15%	Switching	Coverage/threshold affects shifting

Note: Estimates summarise the main findings from administrative excise returns filed by manufacturers and importers. “Taxed” drinks are beverages above 4g sugar per 100ml; “non-taxable” includes lower-sugar products (including reformulated drinks) and pure fruit juices, which are blanket-exempt.

In settings with high obesity burdens and limited health-system capacity, well-designed sugar taxes are a practical tool to reduce sugar intake and raise revenue.

For South Africa, strengthening the HPL through broader coverage, inflation indexation, and transparent revenue use would increase long-run effectiveness.

## References

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