

August 2026

Recent Study Estimates Significant Health and Economic Cost of Keeping South Africa's HPL on Sweetened Drinks Below 20%

A new study published in BMJ Public Health estimated the health and fiscal costs associated in maintaining South Africa's Health Promotion Levy (HPL) below the 20% threshold, using type 2 diabetes as a case study. Researchers found that maintaining the HPL below 20% is costing the country substantially.

South Africa introduced the HPL in April 2018 to reduce sugar-sweetened beverage consumption and help address rising rates of obesity and non-communicable diseases. The tax is set at 0.0221 ZAR for every gram of sugar exceeding 4 grams per 100 milliliters. Several beverages are currently exempted from the HPL, such as those with less than 4 g sugar/100 ml, those containing non-sugar sweeteners, and 100% fruit juices. While the tax was originally proposed at a level equivalent to a 20% price increase, it was implemented at approximately 11% and has since declined to about 8% due to no adjustments for inflation nor any increases since 2019.

Researchers from PRICELESS South Africa, the SAMRC Centre for Health Economics and Decision Science at the University of Witwatersrand School of Public Health, modeled the potential impact of increasing South Africa's sugary drink tax from its current level to the 20% rate. The study estimated the effects over a 20-year period on type 2 diabetes cases, premature deaths from T2D, T2D related health care costs.

Key Findings:

- The study found that increasing the HPL to 20% could prevent nearly 620,000 new type 2 diabetes cases (depending on the pass through of the tax), 285,000 existing cases and 26,000 deaths over 20 years.
 - The main results assume 100% pass-through, meaning the full tax increase is reflected in the final price paid by consumers. Researchers also tested lower and higher pass-through scenarios of 80% and 120% to see whether a 20% equivalent HPL would still be effective under different pricing assumptions.
 - With the higher 120% pass-through, raising the HPL to 20% would avert an estimated 659,000 new type 2 diabetes cases, 299,000 existing cases, and 28,000 deaths, while saving 25.3 billion ZAR in health care costs.
 - With lower 80% pass-through, raising the HPL to 20% would still avert an estimated 514,000 new type 2 diabetes cases, 240,000 existing cases, and 21,000 deaths, while saving 20.1 billion ZAR in health care costs. This suggests that even under less favorable pricing assumptions, a 20% HPL would remain more effective than the current lower tax rate.

- By not increasing the tax to 20%, the government has forgone 15.1 billion ZAR in revenue over the first six-years of the HPL and continues to forgo meaningful tax revenues that can be used towards improving potable water infrastructure, supporting local farmers transition to climate-smart agriculture, or other public programs.
- Additionally, by not increasing the tax to 20% by 2042, the government will be subject to an additional 23.9 billion ZAR of healthcare costs resulting from poorer health among citizens.
- This means that together, inaction by the government in setting and consistently adjusting the HPL to reflect 20% price increases across all sugary drinks is poor fiscal policy that is coming at significant cost to all South Africans.
- The revenue loss is most pronounced in higher-income quintiles, where SSB consumption is higher, suggesting that a 20% HPL could generate significant revenue while targeting populations with greater purchasing power. This aligns with global evidence that SSB taxes can serve as dual-purpose instruments, simultaneously reducing consumption and generating revenue for health system strengthening.

Key Messages:

- Increasing the HPL to at least 20% of the product price could significantly improve health outcomes while also earning domestic revenue and supporting broader strategies to combat non-communicable diseases in South Africa.
- The current HPL is insufficient to achieve ideal health outcomes to decrease SB consumption. To have a real public health impact, South Africa must increase the rate of the tax. This can save the country from increases in type 2 diabetes, premature deaths, and health care costs.

Citation: Dare C, Thsehla E, Goldstein S, Boachie MK. Estimating the cost of not setting the Health Promotion Levy at 20% in South Africa: an extended cost-effectiveness analysis. *BMJ Public Health*. 2026;4:e004415. <https://doi.org/10.1136/bmjph-2025-004415>