TAX TO REDUCE INTAKE OF SUGAR SWEETENED BEVERAGES: POSITION STATEMENT

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Price is frequently cited as one of the main factors that determines food choice, along with taste and convenience.[1 2] In the current food environment, unhealthy choices often seem cheaper than more healthy choices.[3-5] One example of this is sugar sweetened beverages (SSBs). A student in the Youth 2012 survey commented that:[6]

> *"Good food is expensive – [bottled] water is more expensive than Coke. It doesn't make sense, eh?"*

SSBs are known to be a contributor to obesity and some risk factors for heart disease (see Heart Foundation evidence update on sugar). Reducing intakes of SSBs is an important population health goal as they do not provide any nutritional value, contribute excess energy to the diet, and avoiding them would not have any negative dietary consequences.[7] Adult national nutrition survey data shows for the average person, non-alcoholic drinks contribute 17% of our sugar intake and intake is highest in the 15-30 year age group.[8]

One of the potential policy levers to influence the price of SSBs at a population level is the use of taxes (e.g. excise taxes). Several countries have introduced taxes on SSBs and there is now emerging evidence to support their effectiveness. France implemented an excise tax on all soft drinks in 2011, Mexico introduced a 10 per cent tax on SSBs in 2014 and the United Kingdom have announced a tax on SSBs will be introduced from 2018. A recent study of the tax in Mexico showed that the tax on SSBs was associated with reductions in purchases of taxed beverages and increases in purchases of untaxed beverages. However the researchers cautioned that continued monitoring is needed to understand purchases longer term, potential substitutions, and health implications.[9]

Some countries have differential taxes on certain foods and drinks (eg. varying rates of GST or VAT), but these were not implemented to improve health and have not been well evaluated for their impact.[10] Furthermore, they may not be implemented in a way that changes behaviour, for example, sales tax in the United States is applied after the point-of-sale.

Instead, we must rely on economic modelling, estimation or observational studies to determine the likely effect of a SSB tax, and many of these studies have been poor quality, have major limitations, or are not generalisable.[11 12] A more convincing level of evidence is unlikely to be gained until such a tax is fully evaluated.[11 13] However, experience with taxes on tobacco and alcohol show they have been one of the most effective ways to reduce consumption or use.[14]

There have been a number of modelling studies conducted to predict the consumption and health impacts of a tax on sugary soft drinks. A recent review of those studies found that taxes on carbonated drinks would likely be associated with reduced consumption and overall beneficial dietary change, and had potential to improve health.[11] It estimated that for every 10% increase in price, soft drink consumption would decrease by 9.3%. These findings are supported by other reviews.[12 15] The Credit Suisse Research Institute has also concluded that higher taxation on drinks is the best option to reduce sugar intakes and help fund healthcare costs related to their consumption.[16]

The implications of any tax for people on a low-income must be considered. Overall the data suggests that the predicted effects on consumption and disease would be more beneficial to health for people on a low income.[11] Households with a lower income spend proportionally more of their income on food, so the tax is likely to be regressive. However, they are also more price sensitive[17] and thus more likely to adjust purchases in reaction to price changes. Results from Mexico show the biggest reduction in SSB purchase is amongst households of low socioeconomic status, further supporting the benefits of a tax for this group.[9] People on a low-income are also more likely to develop nutrition-related disease. Thus, they will experience greater benefit from a tax if consumption is reduced. Furthermore, the tax could be used to subsidise healthy food or for health promotion which could help counterbalance any regressivity.[12]

If a tax was implemented it would be most effective as part of comprehensive action to reduce availability and promotion of sugary soft drinks. For example, by reducing access to soft drinks in schools and vending machines and regulating advertising of SSBs to children. A tax on SSBs should not be expected on its own to substantially improve health, but should form part of a suite of initiatives undertaken together with other measures, including education programmes; action on healthy food in schools; controls on advertising of unhealthy foods to children and community-based eating and activity initiatives.

In summary, the evidence is building that taxes on SSBs are likely to reduce their consumption and generate revenue which could be spent on health promotion or subsidies

for vegetables and fruit. The imbalance in food pricing and supply of healthy versus unhealthy food is unlikely to correct itself without use of policy levers such as these.

GOAL

To reduce consumption of SSBs.

RECOMMENDATIONS

The Heart Foundation recommends that the government:

1. Implements a tax on SSBs as a means to increase price and discourage consumption.

2. Implements a suite of initiatives that sit alongside a tax on SSBs to improve children's nutrition and reduce childhood obesity.

3. Channels the revenue generated by the tax into initiatives aimed at improving children's nutrition and reducing childhood obesity.

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