

Taxes on sugar-sweetened beverages

Approved December 2016

Background

1. The over consumption of sugar is a contributor to obesity, type 2 diabetes and tooth decay. Sugar-sweetened beverages* (SSBs) are a major source of sugar in the diet. On average, a single 330ml can of a sugary drink contains about 10 teaspoons of table sugar. World Health Organization (WHO) guidelines¹ recommend reducing consumption of free sugars to less than 10% of daily energy intake to prevent obesity and tooth decay, and to below 5% of daily energy intake for additional health benefits.
2. Growing evidence shows that appropriately designed fiscal policies, when implemented with other policy actions, have considerable potential for promoting healthier diets.² The price of food and beverages affects purchase and consumption. Vulnerable populations—including lower income groups, young people and those at most risk of obesity—are most responsive to changes in the relative prices of foods and beverages. Fiscal policy interventions can also work by incentivising the food industry to reformulate food and beverages to improve the nutritional quality of their products.
3. The NZMA has previously called for a suite of measures as part of a comprehensive approach to tackling New Zealand's obesity epidemic.³ These include evaluating the use of fiscal instruments as a means of influencing food consumption, with priority given to a tax for SSBs. We believe that there are now sufficient grounds to develop and implement a tax on SSBs. The NZMA has also previously recommended that any revenue raised through such a tax be ring-fenced and invested back into obesity research and prevention programmes.
4. The evidence to date suggests that a tax of 20% on SSBs could lead to a reduction in consumption of around 20%.⁴ In Mexico, where an SSB tax was introduced in January 2014, purchases of taxed beverages had decreased by 12% by December 2014.⁵ The reduction in purchases was highest among households of low socioeconomic status, which had a 17% decrease by December 2014. Purchases of untaxed beverages were 4% higher, driven mainly by an increase in purchases of bottled plain water.
5. There are many types of taxes and tax structures. With respect to SSBs, a specific excise tax (where a set amount of tax is charged on a given quantity of product or ingredient) is likely to be the most effective. This is because it increases the price of all products affected by the tax in the same way, thereby reducing incentives to switch down to cheaper options. It is essential that such a tax is regularly adjusted to keep up with inflation and reduce affordability by accounting for income growth.
6. Earmarking a greater proportion of excise tax for other measures to tackle obesity and other health harms should help make the increase in price more acceptable. This has been demonstrated for tobacco products in the New Zealand setting.⁶

* Sugar-sweetened beverages are defined as beverages containing added caloric sweeteners, such as sucrose, high-fructose corn syrup, or fruit juice concentrates. These include, but are not limited to, carbonates, fruit drinks, sports drinks, energy and vitamin water drinks, sweetened ice tea, and lemonade.

Recommendations

1. The NZMA recommends the Government develop and implement an excise tax of 20% or more on SSBs. This tax should be regularly adjusted to take into account inflation and income growth, to reduce the affordability of SSBs.
2. Rigorous monitoring and evaluation of the effects of a tax on SSBs is essential. Factors that need to be monitored include the impact on purchasing patterns, consumption and product composition. It is particularly important to monitor for substitution effects.
3. Longitudinal research should be undertaken in New Zealand on the impact of the tax on SSBs on weight outcomes and other diet-related risk factors.
4. A proportion of the revenue from the excise tax should be earmarked for programmes to tackle obesity and other health issues.
5. The tax on SSBs should be modified as necessary to reflect evidence about its impact in New Zealand as well as emerging international experience.
6. To ensure policy coherence, the above recommendations should be adopted in conjunction with the suite of recommendations in our policy briefing on tackling obesity.³

References

1. World Health Organization. Guideline: Sugars intake for adults and children. Geneva: WHO; 2015. Available from http://apps.who.int/iris/bitstream/10665/149782/1/9789241549028_eng.pdf
2. World Health Organization. Fiscal policies for diet and prevention of noncommunicable diseases: technical meeting report. Geneva: WHO; 2016. Available from <http://www.who.int/dietphysicalactivity/publications/fiscal-policies-diet-prevention/en/>
3. NZMA. Policy Briefing: Tackling Obesity. May 2014. Available from <https://www.nzma.org.nz/publications/tackling-obesity>
4. Powell LM, et al. Assessing the potential effectiveness of food and beverage taxes and subsidies for improving public health: a systematic review of prices, demand and body weight outcomes. *Obes Rev.* 2013 Feb;14(2):110-28. Available from <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3556391/>
5. Colchero MA, et al. Beverage purchases from stores in Mexico under the excise tax on sugar sweetened beverages: observational study. *BMJ.* 2016 Jan 6;352:h6704. Available from <http://www.bmj.com/content/352/bmj.h6704.long>
6. Wilson N, et al. Characteristics of smoker support for increasing a dedicated tobacco tax: national survey data from New Zealand. *Nicotine Tob Res.* 2010 Feb;12(2):168–73