



Sugar tax briefing

“When it comes to a Sugar Tax, the answer is no,” Prime Minister’s spokesman, (The Mirror, 2015)

“The Prime Minister thinks there are more effective ways of tackling this issue than putting a tax on sugar.” Prime Minister’s Spokesman (Reuters, 2015)

Summary

Last year, the Prime Minister and Health Secretary both ruled out imposing a “sugar tax” on drinks and foods with high sugar contents.

The rationale behind their opposition to the use of a blunt fiscal instrument to tackle obesity remains as sound today as it was 12 months ago: A “sugar tax” would be regressive and ineffective. Besides, clear progress in reducing the sugar content of foods has been already made through working with food and drinks companies through voluntary schemes.

Nevertheless, public health campaigners have remained persistent in their calls for a “sugar tax”.

Given the enormous administrative and legal complexities that imposing a “sugar tax” on foods would create, proposals from organisations like the BMA are currently limited to a levy on “sugar-sweetened beverages” which would increase their price by at least 20 per cent. (British Medical Association, 2015)

They claim that such a levy would be a “useful first step” betrays a worrying trend amongst many commentators and campaigners to reach for tax as a first resort. All too often they fail to appreciate the complex behavioural responses that tax changes can elicit and the unintended consequences that may result from their proposals.

The TaxPayers’ Alliance will strongly oppose any move to impose a sugar tax and hopes that politicians will consider the extensive body of evidence demonstrating that a “sugar tax” is both unnecessary and undesirable.

A sugar tax would be regressive

The poorest households in the country already pay a very large proportion their gross incomes (original income plus cash benefits) in consumption and “sin taxes”. More than 20 per cent of the gross incomes of the poorest 10 per cent of households is spent on alcohol, tobacco and fuel duties and VAT compared to less than 10 per cent for the median household (TaxPayers’ Alliance, 2015).

A sugar tax would add further regression to the system and be quite contrary to the government’s stated objective of focussing whatever tax cuts they feel they can afford on lower earners.

This is not disputed by the report from Public Health England which received widespread media attention and was widely reported as recommending a sugar tax. This only looked at ways in which sugar consumption could be reduced for the population as a whole.

The BMA also proposes that the proceeds of a tax on sugar sweetened beverages be used to subsidise fruit and vegetables (BMJ.com, 2015, 351:h3803). This proposal seems to be devoid of commercial merit considering how cheaply fruit and vegetables can be purchased relatively to other products, and it’s unclear how such a subsidy mechanism would operate.

Regardless, the only study considered by Public Health England looking at nutritional and financial impacts on different income groups concluded that a tax on “unhealthy” food and a subsidies for “healthy” foods concluded that low income groups would derive the least benefit, both financially and nutritionally (Darmon N. et al. 2014)

Elasticity and substitution

Most economic literature suggests that soft drinks are amongst the most responsive of foods and drinks to price changes (Andreyeva et al., 2010).

However, reducing the consumption of sugar sweetened beverages would be of no health benefit in isolation. Pro “sugar tax” campaigners frequently point to the reduction in tobacco consumption as duties have been increased, but this ignores the fact that there are relatively few substitute goods for cigarettes. Those that are available, such as nicotine patches and gum, are less unhealthy.

Conversely, there are myriad substitute goods for sugar sweetened beverages such as fruit juices, chocolate, and confectionery which are just as unhealthy. A tax on sugary drinks was recently introduced in Mexico, and the number of calories consumed by the average Mexican has fallen by just 5 a day despite a fall in sales of sugary drinks.

But the results can be even more perverse: a study from Cornell University (Wansink B. et al., 2012) found that after a six month experiment in an American city were a sample of households faced a 10 per cent tax on calorie-dense foods and beverages, the tax led to increased purchases of beer.

International evidence

The Danish fat tax is a useful comparison. It was introduced in 2011 but it was dropped just 15 months later when the detrimental effect (BBC, 2012, accessed 07/01/2016) and the fact that it had had little to no effect on Danish fat consumption (Istituto Molinari, 2013) became clear. A survey found that 80 per cent of Danes did not change their shopping habits at all despite the introduction of the charge. Moreover, (estimated) Kroner 200 million administrative costs placed a very significant additional burden on businesses. New costs are likely to have been passed on to consumers (Ibid).

By October 2012, 70 per cent of Danes considered the tax to be “bad” or “very bad” and the Minister for Food, Agriculture and Fisheries admitted in 2012 that “the fat tax is one of the most criticised policies we have had in a long time” (NYTimes.com, 2012)

Mexico introduced a sugar tax in 2013 but studies have shown that the small (c.5 per cent) decrease in per-person per-day calorie consumption in Mexico represented “nothing compared to the drop in calories people needed to consume in order to not be obese” (FT.com, 2015).

The situation in the UK is very different. In 2011, Mexicans drank on average 163 litres of carbonated drinks per year before the tax was introduced (The Guardian, 2015, accessed 07/01/2016), whereas the average person in the UK drank 100.2 litres in 2014 (BSDA,2015). Professor Emilio Gutiérrez, a professor at Mexico's ITAM University, said: “I think the tax has been useless, honestly... it may have reduced soda consumption a bit but not sufficient to lead to a long-term reduction in obesity” (FT.com, 2015).

Sugar consumption is already falling

Contrary to popular belief, sugar consumption in the UK has declined significantly since the 1960s (Lyons & Snowdon, 2015). UK per capita sugar consumption in 1901 was a great deal higher than today at around 41kg/year compared to 33.7 kg/year today (Snowdon, 2014, accessed 07/01/2016).

Likewise, just 45 per cent of carbonated drinks (excluding sports and energy drinks) consumed in the UK are of the “full sugar” variety and consumption of all carbonated drinks fell by 220 million litres from 2011 to 2014. That 45 per cent equates to 3.1 billion litres a year, which compares to 3.4 billion litres a year of dilutable squashes and 2.6 billion litres a year of bottled water drunk in 2014 (BSDA,2015) .

Conclusions

Statistics from the Health and Social Care Information Centre show the percentage of children classified as overweight or obese was lower in 2014 than when it peaked a decade ago (Health Survey for England, 2014, 2015). Jeremy Hunt has cited this as a reason why he opposes a sugar tax (Telegraph.co.uk, 2014, accessed 07/01/2016).

Public health information campaigns have been successful in promoting awareness of particular health problems (Health Development Agency, 2004) and are immeasurably preferable to heavy-handed fiscal and regulatory measures, and the unintended consequences that inevitably arise.

It is in fact the conclusion of the Public Health England report that price increases on high sugar products are less effective than non-fiscal measures to reduce sugar consumption.

Given the lack of robust evidence that a “sugar tax” would be beneficial to the very people it supposedly helps both financially and nutritionally, any proposals to impose such a levy should be resisted by the government.

A sugar tax would be highly regressive and given the evidence against its effectiveness, it could seem like an attempt to collect more money from low income households. This is the very same income group which has suffered the most from the 2010 increase in VAT, a tax the government already levies on unhealthy foods.

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