



## The impact of the sugar tax on different drinks

Announced in the 2016 budget, the soft drinks industry levy (the sugar tax), will be paid by producers and importers of “water-based added sugar soft drinks”<sup>1</sup> from April 2018. It is expected that the levy will have two rates (18 pence and 24 pence) dependent on the drink’s sugar content per litre<sup>2</sup>.

However, the government assume that all costs of the tax will be passed on to consumers<sup>3</sup>.

This research is a comparison of the sugar content in a selection of drinks which will be subject to the tax to the sugar content of a range of alternatives which will not be subject to the tax.

49 drinks with added sugar are compared in three groups: regular fizzy drinks and sports and energy drinks; milk-based products; and coffees etc. The first group will be subject to a sugar tax (if they have sufficient sugar content) the second and third groups will not.

### Key points

- The sugar tax will add **further complication** to the treatment of drinks in the tax system.
- There are drinks which **will not be subject to the sugar tax** that contain more (or a similar level of) sugar per millilitre than the drinks that will be subject to the sugar tax.
- Pepsi has **11 grams** of sugar per 100 millilitres and Coca-Cola has **10.6 grams** of sugar per 100 millilitres.
  - These **will be subject to the sugar tax.**

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[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/508147/PU1912\\_Policy\\_Costings\\_FINAL3.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/508147/PU1912_Policy_Costings_FINAL3.pdf)

<sup>2</sup> <http://cdn.budgetresponsibility.org.uk/March2016EFO.pdf#page=132>

<sup>3</sup> <http://cdn.budgetresponsibility.org.uk/March2016EFO.pdf#page=232>

- Galaxy Flavoured Milk has **14.4 grams** of sugar per 100 millilitres and Starbucks' Signature Hot Chocolate with Whipped Cream with Coconut milk has **11 grams** of sugar per 100 millilitres.
  - These **will not be subject to the sugar tax.**
- Energy drinks which **will be subject to the tax**, such as Monster Origin (11g/100ml) or Relentless Origin (11g/100ml) have:
  - **Less sugar** per millilitre than Tesco Chocolate Flavoured Milk (12.4g/100ml) which will not be subject to the sugar tax.
  - The **same amount of sugar** per millilitre as drink Yop Strawberry Yoghurt Drink (11g/100ml) which will not be subject to the sugar tax.
- **None** of the ten most sugary products (grams per millilitre) we have analysed will be subject to the sugar tax.

## Table guide

Chart 1: Tax (pence) levied per 100 grams of sugar

Table 1: Products which will be subject to the sugar tax

Table 2: Products which will not be subject to the sugar tax

Table 3: All drinks compared by grams of sugar per 100 millilitres including tax rates and charges per 100 grams of sugar if the tax were applied to other product categories.

## The sugar tax will exacerbate the difference in the treatment of drinks in the tax system.

- Drinks that will be subject to the sugar tax are already subject to the standard (20 per cent) VAT rate.
  - Milk based products and coffee extracts which will not be subject to the sugar tax are currently zero-rated for VAT<sup>4</sup>.
- It will be an **additional complication of the tax code** to apply a sugar tax on some drinks.

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<sup>4</sup> <https://www.gov.uk/government/publications/vat-notice-70114-food/vat-notice-70114-food>

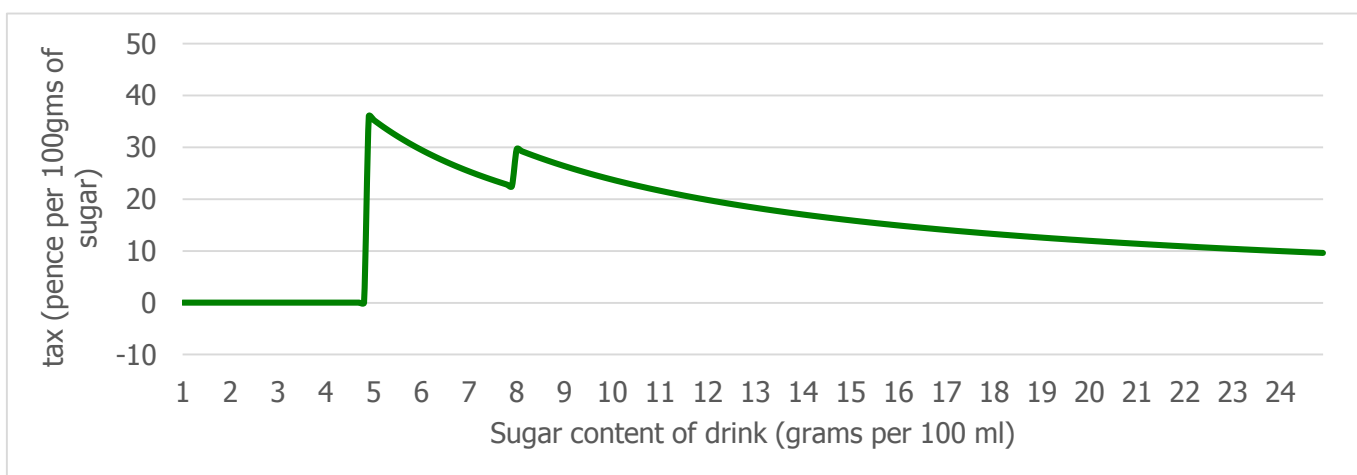
## Drinks which contain more sugar per 100ml will attract a lower tax per gram of sugar.

The tax will be levied on the sugar content by drink volume<sup>5</sup>.

- The main rate will be charged at 18 pence per litre for drinks with 5-8 grams of sugar per 100 millilitres.
- The higher rate will be charged at 24 pence per litre for drinks with more than 8 grams of sugar per 100 millilitres.

Drinks that contain more sugar per 100ml (above the two thresholds) will therefore attract a lower tax per gram of sugar. This is shown in the chart 1 below:

**Chart 1: Tax (pence) levied per 100 grams of sugar**



- The design of the tax produces cliff edges because of the 'slab' structure of the tax.
  - Products may be reformulated so that they are just under the threshold (i.e. 7.9 grams of sugar per 100 millilitres rather than 8) to attract the lower rate of tax without reducing sugar content significantly.

<sup>5</sup> <http://cdn.budgetresponsibility.org.uk/March2016EFO.pdf#page=132>

**Table 1: Products which will be subject to the sugar tax**

Product	Grams of sugar per 100ml	Implied tax rate (p/litre)	Implied tax (pence) per 100 grams of sugar
Coca-Cola Cherry	11.2	24	0.21
Pepsi Regular	11.0	24	0.22
7 up	11.0	24	0.22
Monster Origin Energy Drink	11.0	24	0.22
Red Bull Energy Drink	11.0	24	0.22
Relentless Origin	11.0	24	0.22
Coca-Cola	10.6	24	0.23
Irn Bru	10.3	24	0.23
Emerge Stimulation	9.8	24	0.24
Sprite Regular	6.6	18	0.27
Fanta Fruit Twist	6.4	18	0.28
Lilt	4.8	0	0.00

**Table 2: Products which will not be subject to the sugar tax**

Product	Grams of sugar per 100ml	Tax rate (pence per litre)
Costa Chai Latte - Speciality Drinks skimmed medio	17.5	0
Nero Hot Chocolate (no cream), regular, drink in	17.0	0
Galaxy Flavoured Milk	14.4	0
Starbucks White Chocolate Mocha with Whipped Cream short - Skimmed milk	13.3	0
Tesco Chocolate Fudge Brownie Flavoured Milk	13.1	0
Frijj Chocolate Fudge Brownie Milkshake	12.9	0
Mars Flavoured Milk	12.8	0
Tesco Chocolate Flavoured Milk	12.4	0
Nero Frappe Creme - Strawberry & Vanilla	12.2	0
Galaxy Thick Shake	11.6	0

## **Conclusion**

There are several inherent flaws in the policy and it is clear that it has not been entirely thought through. Drinks are already treated differently in the tax code and the sugar tax will exacerbate this complication.

The sugar tax is also likely to create perverse incentives which could potentially undermine the health aims of the policy and render it merely an unnecessary complication to the tax code.

It would be better not to impose such a badly designed tax at all.

**Table 3: All drinks compared by grams of sugar per 100 millilitres including tax rates and charges per 100 grams of sugar if the tax were applied to other product categories.**

Category	Product	Grams of sugar per 100ml	Implied tax rate (pence per litre)	Implied tax (£ per 100 grams of sugar)	Subject to the tax?
Coffees etc	Costa Chai Latte - Speciality Drinks skimmed medio	17.5	24	0.14	No
Coffees etc	Nero Hot Chocolate (no cream), regular, drink in	17	24	0.14	No
Milk-based products	Galaxy Flavoured Milk	14.4	24	0.17	No
Coffees etc	Starbucks WHITE CHOCOLATE MOCHA with WHIPPED CREAM short - Skimmed milk	13.3	24	0.18	No
Milk-based products	Tesco Chocolate Fudge Brownie Flavoured Milk	13.1	24	0.18	No
Milk-based products	Frijj Chocolate Fudge Brownie Milkshake	12.9	24	0.19	No
Milk-based products	Mars Flavoured Milk	12.8	24	0.19	No
Milk-based products	Tesco Chocolate Flavoured Milk	12.4	24	0.19	No
Coffees etc	Nero Frappe Creme - Strawberry & Vanilla	12.2	24	0.20	No
Milk-based products	Galaxy Thick Shake	11.6	24	0.21	No
Regular fizzy drinks & Sports and Energy Drinks	Coca-Cola Cherry	11.2	24	0.21	Yes
Coffees etc	Costa Hot Chocolate - Mocha & Hot Chocolate skimmed Medio	11.2	24	0.21	No

Category	Product	Grams of sugar per 100ml	Implied tax rate (pence per litre)	Implied tax (£ per 100 grams of sugar)	Subject to the tax?
Coffees etc	Starbucks RASPBERRY BLACKCURRENT FRAPPUCCINO (With Zen Tea)	11.2	24	0.21	No
Coffees etc	Starbucks SIGNATURE HOT CHOCOLATE with WHIPPED CREAM - Coconut	11.0	24	0.22	No
Regular fizzy drinks & Sports and Energy Drinks	Pepsi Regular	11.0	24	0.22	Yes
Regular fizzy drinks & Sports and Energy Drinks	7 up	11.0	24	0.22	Yes
Regular fizzy drinks & Sports and Energy Drinks	Monster Origin Energy Drink	11.0	24	0.22	Yes
Regular fizzy drinks & Sports and Energy Drinks	Red Bull Energy Drink	11.0	24	0.22	Yes
Regular fizzy drinks & Sports and Energy Drinks	Relentless Origin	11.0	24	0.22	Yes
Milk-based products	Yop Strawberry Yoghurt Drink	11.0	24	0.22	No
Milk-based products	Frijj Chocolate Milkshake	10.8	24	0.22	No
Regular fizzy drinks & Sports and Energy Drinks	Coca-Cola	10.6	24	0.23	Yes
Milk-based products	Tesco Banana Flavoured Milk	10.6	24	0.23	No
Milk-based products	Tesco Chocolate Milk	10.5	24	0.23	No

Category	Product	Grams of sugar per 100ml	Implied tax rate (pence per litre)	Implied tax (£ per 100 grams of sugar)	Subject to the tax?
Coffees etc	Starbucks MOCHA FRAPPUCCINO® WITH WHIPPED CREAM - semi skimmed	10.4	24	0.23	No
Coffees etc	Nero Banana Frappe Milkshake	10.4	24	0.23	No
Regular fizzy drinks & Sports and Energy Drinks	Irn Bru	10.3	24	0.23	Yes
Milk-based products	For Goodness Shakes Recovery Vanilla	9.9	24	0.24	No
Regular fizzy drinks & Sports and Energy Drinks	Emerge Stimulation	9.8	24	0.24	Yes
Milk-based products	Frijj Strawberry Milkshake	9.8	24	0.24	No
Milk-based products	Caffionata Mocha Iced Coffee	9.8	24	0.24	No
Milk-based products	Shaken Udder Chocolush Milkshake	9.7	24	0.25	No
Milk-based products	Tesco Strawberry Flavoured Milk	9.5	24	0.25	No
Milk-based products	Yazoo Chocolate Milkshake	9.4	24	0.26	No
Coffees etc	Nero Chai Latte, one size only, drink in	8.3	24	0.29	No
Coffees etc	Starbucks CHAI TEA LATTE - Soy	8.1	24	0.30	No
Coffees etc	Costa Gingerbread Latte - Speciality Drinks skimmed medio	7.6	18	0.24	No



Category	Product	Grams of sugar per 100ml	Implied tax rate (pence per litre)	Implied tax (£ per 100 grams of sugar)	Subject to the tax?
Regular fizzy drinks & Sports and Energy Drinks	Sprite Regular	6.6	18	0.27	Yes
Coffees etc	Starbucks CARAMEL MACCHIATO (made with regular Vanilla flavoured syrup) Short - Semi Skimmed Milk	6.5	18	0.28	No
Regular fizzy drinks & Sports and Energy Drinks	Fanta Fruit Twist	6.4	18	0.28	Yes
Regular fizzy drinks & Sports and Energy Drinks	Lilt	4.8	0	0.00	Yes*
Milk-based products	Tesco British Whole Milk	4.7	0	0.00	No
Coffees etc	Costa Iced Caramel Latte - Costa Ice skimmed medio	4.6	0	0.00	No
Regular fizzy drinks & Sports and Energy Drinks	Emerge Glucose Energy Sport Orange	4.4	0	0.00	Yes*
Regular fizzy drinks & Sports and Energy Drinks	Tango Orange	4.4	0	0.00	Yes*
Regular fizzy drinks & Sports and Energy Drinks	Tesco Active Raspberry Sports Drink	4.3	0	0.00	Yes*
Regular fizzy drinks & Sports and Energy Drinks	Lucozade Sport Orange	3.6	0	0.00	Yes*
Coffees etc	Starbucks CAFFE LATTE - Whole milk	3.6	0	0.00	No
Regular fizzy drinks & Sports and Energy Drinks	Tesco Sparkling lemonade	2.9	0	0.00	Yes*

\*These drinks contain less sugar per 100 millilitres than the threshold of the main rate of the sugar tax and so are subject to the tax but do attract a charge.