



An estimate of the effect of the Soft Drinks Industry Levy on employment

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As has repeatedly been found amongst countries that have attempted them, sugar taxes have been poor at improving public health.ⁱ What is perhaps equally important is the damaging effect that the tax has had on employment.

Taxes nominally levied on businesses such as Corporation Tax, lead to lower employment and/or wages.ⁱⁱ This does necessarily mean that individuals are made redundant, however. The impact may well be that fewer jobs are created than would have been in the absence of the tax.

This paper looks at the effect that the sugar tax had in Mexico on employment. It then estimates what the equivalent effect would be in the UK, adjusting for the facts that the tax rate in the UK is higher and that the soft drinks industry makes a proportionally smaller contribution to the UK economy. From this, an estimate of the impact on employment-related tax revenues is also made.

Key findings:

- If the sugar tax has the same effect on jobs in the UK as it did in Mexico, there will be **5,624** fewer jobs
 - This equivalent to **£90,622,346** in average industry and associated sector wages
- This would lead to the Treasury receiving **£17,399,370** less in employment taxes including:
 - **£11,188,648** of Employee's National Insurance contributions and Income Tax
 - **£6,210,723** of Employer's National Insurance contributions

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Methodology

Employment

In Mexico, the sugar tax led to an estimated 10,815ⁱⁱⁱ fewer jobs across the industry directly and within its associated sectors (such as hospitality and retail).

This figure is divided by the soft drinks industry's contribution to the Mexican economy (1.07 per cent^{iv}) to give the change in employment per percentage point of industry activity.

This figure is divided by the percentage tax rate (12.3)^v.

This gives the percentage fall in employment for every percentage point of tax and every one per cent contribution to the economy (0.0017 per cent).

The equivalent proportion of UK total employment is then multiplied by the Soft Drinks Industry Levy's rate (18.1 per cent^{vi}) and the Soft Drinks Industry's contribution to the economy (0.59 per cent) to give a final estimation of employment change.

Tax estimates

Directly and through its associated sectors the Soft Drinks Industry provides employment for 348,873 individuals. The total wage bill is £5.62 billion^{vii}. This gives an average wage of £16,115 (although this is skewed by the very large proportion of individuals employed in the retail and hospitality on relatively low wages).

Employee's National Insurance contributions, Income Tax and Employers' National Insurance contributions total £3,094 for an individual earning £16,115 per annum. Applying the number of jobs lost to this gives the total employment-related tax revenue lost.

Tax figures use the current rates and allowances.

Table 1: Estimates of the effect on employment

Number of Jobs	Mexico	UK
Fall in employment	10,815	5,624

Table 2: Estimates of the effect on wages and tax receipts

Sector	Direct manufacturing impact (£)	Retail & hospitality (£)	Supply chain and induced impact (£)	Total (£)
Soft Drinks Industry Gross Value Added	1,683,000,000	4,583,000,000	4,775,000,000	11,041,000,000
Employment	15,353	219,457	114,063	348,873
Wages	521,000,000	2,497,000,000	2,604,000,000	5,622,000,000
Average wage				16,115

Table 3: Estimates of the effect on tax receipts

Tax lost	Wages lost (£)	Employee's NI & Income Tax (£)	Employers NI (£)	Total tax lost (£)
Per person	16,115	1,990	1,104	3,094
Total (5,624 fewer jobs)	90,622,346	11,188,648	6,210,723	17,399,370

ⁱ Mandiakis, Kapaki, Damianidi & Kourlaba, 2013, A systematic review of the effectiveness of taxes on non-alcoholic beverages and high-in-fat foods as a means to prevent obesity trends, Department of Health Services Organization and Management

ⁱⁱ TaxPayers' Alliance, 2016, Corporation Tax is fundamentally unsustainable, https://d3n8a8pro7vhmx.cloudfront.net/taxpayersalliance/pages/6052/attachments/original/1457446481/Corporation_Tax_Briefing_Final_Copy.pdf?1457446481

ⁱⁱⁱ Cantú, Curiel & Valera, 2015, The Non-Alcoholic Beverage Industry in Mexico, Centro de Investigaciones Económicas, UANL

^{iv} *Ibid.*

^v *Ibid.*

^{vi} TaxPayers' Alliance calculation. For more information see: http://www.taxpayersalliance.com/estimates_of_the_effect_of_the_soft_drinks_industry_levy_base_d_on_the_sugar_tax_in_mexico

^{vii} British Soft Drinks Association, 2015, http://www.britishtsoftdrinks.com/write/MediaUploads/Publications/2015_BSDA_Economic_Report.pdf