

Soft Drinks Industry Levy Myth Buster

Is the sugar levy regressive?

No, rather than being penalised, the health gains from the levy will be biggest for people on low incomes:

- **The effects of obesity are regressive:**
 - Sugary drink consumption levels tend to be **highest among the most disadvantaged children**.¹ The lowest income groups suffer the highest burden of sugar-related diseases, such as tooth decay, and have the highest intakes of sugar in their diets.¹
 - Recent figures from OHA show a looming significant weight gap between the poorest and wealthiest primary-school aged boys living in England. **Three in five** (60%) of the most deprived boys aged five to eleven are predicted to be overweight or obese by 2020, compared to about **one in six** (16%) of boys in the most affluent group.²
 - Overall, 36% of the most deprived children are predicted to be overweight or obese by 2020 compared to just 19% of the most affluent.³
- **Health gains will be progressive:**
 - Therefore the health gains we stand to make from the levy are progressive and will make the biggest difference to low income groups. Saying that the levy would hit the poorest the hardest ignores the other half of the picture – that this group stands to gain the most from improved health.

Will the sugar levy work?

Yes, a 2016 modelling study found that the levy could potentially save up to 144,000 adults and children from obesity every year, prevent 19,000 cases of type 2 diabetes and avoid 270,000 decayed teeth.⁴

In addition, while the model put forward by Government has no direct comparison, there is extensive evidence from around the world showing a sugar tax works:

- In **Mexico** a \$1 peso excise tax (approximately 10%), on average, reduced consumption by 12% within 12 months. Those from lower socio-economic households reduced the amount of taxed sugary drinks they bought by 17% within 12 months.⁵
- In **Hungary**, a tax on sugary products led 40% of manufacturers to reduce or eliminate sugar to avoid the tax.⁶

Will the sugar levy cost jobs?

No, there is **no credible evidence** to suggest a sugar levy will cost jobs:

- If a sugar levy reduces the demand for sugary drinks, the money saved is likely to be spent on other foods, products, or services, thereby creating jobs for new industries.
- An analysis of the effect of existing taxes in the EU did not show any long-term impact on the competitiveness of the food and drink industry from these taxes.⁷
- A report, which was itself commissioned by the British Soft Drinks Association, stated the levy could cost up to 4,000 jobs. However, this figure did not take into account either the benefit to the dairy industry – said to benefit from a 3.7% increase in the volume of milk sold – or the likely increase in water and diet drinks sales. These figures were also calculated on the assumption that industry wouldn't reformulate their products.⁸
- Emerging research from the USA suggests that claims of job losses due to sugary drinks taxes are over stated by the drinks industry.⁹

Obesity costs employers:

- Obesity is a major drain on the economy. McKinsey estimates the **cost of obesity to employers** in the UK to be **£7 billion**.¹⁰
- Obesity attributed **days sickness** is estimated at **£16 million**.¹¹

Will the levy cost more money to implement than the revenue gained?

No, the levy will help save money. Obesity is one of the biggest drains on the NHS and the economy as a whole.

- The NHS is currently spending **over £6 billion** on obesity-related costs.¹²
- The estimated indirect cost to the UK economy amounts to **£27 billion** a year due to lost productivity, unemployment, early retirement and associated welfare benefits.¹³
- The costs to the NHS attributable to overweight and obesity are projected to reach **£9.7 billion by 2050**, with wider costs to society estimated to reach almost **£50 billion per year**.¹⁴

Is the levy an example of the nanny state going too far?

No, the Government has a duty of care to provide children with an environment that promotes health, not disease.

- Most people want to lead healthy lives, but find it increasingly difficult when they are **surrounded by unhealthy products**. The obesogenic environment we find ourselves in means many people find it difficult to make healthy choices when it comes to their diet.
- The levy is about providing supportive environments, giving children a healthy start to life and about **enabling people to make healthy and informed choices**.

This is why the levy is supported by the public:

- After the levy was announced, **nearly seven in ten** (69%) of the public said they supported it.¹⁵
- More than **155,000 people** have supported a petition calling for the introduction of a sugary drinks tax.¹⁶

Will the sugar levy only lower our intake by 5 calories?

The signalling effect:

- It is important to take into account the signalling effect to consumers of the taxation – not just the price effect. People may consume fewer soft drinks not just because the price has gone up but also because more people **perceive them as ‘unhealthy’**.¹⁷
- In some instances, research has shown consumption of alcoholic drinks do appear to have decreased beyond the level expected by the price increase alone.

There will be a greater impact on those who drink higher amounts of soft drinks:

- The ‘5 calories’ reduction in total consumption claim is based on averaging out a total drop in consumption across the whole population.
- This ignores the fact **that consumption is concentrated among teenagers** – people aged 11 to 18 consume on average 21g of added sugar per day from soft drinks, which is more than double the amount consumed by people aged between 19 and 64.¹⁸

Are manufacturers not already reducing the amount of sugar in their products?

- Some manufacturers are already reducing the amount of sugar in their products by a large amount (and they should be commended for leading the way), some are removing some sugar by a modest amount and others are doing nothing despite not having to pay the levy if they do so.
- With the crisis we face in childhood obesity we need consistent ambitious reductions in the sugar content of soft drinks, the product that contributes the most sugar to our children’s diets.
- Setting targets for industry to comply with, or face the levy, is a motivator to industry to reformulate, and sends a clear message that these products contain unacceptable levels of sugar which are harmful to our children’s health.¹⁹

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- ³ Obesity Health Alliance / UK Health Forum modelling, *3 in 5 of England's most deprived boys will be overweight or obese by 2020*, <http://obesityhealthalliance.org.uk/2016/10/11/3-5-englands-deprived-boys-will-overweight-obese-2020/> (accessed 24 October 2016)
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- ⁷ Food Research Collaboration, *Health-related taxes on food and beverages*. <http://foodresearch.org.uk/wp-content/uploads/2015/05/Food-and-beverages-taxes-final-20-May-2015.pdf>
- ⁸ The case against the soft drink levy is sugar coated, <https://theconversation.com/case-against-soft-drink-levy-is-sugar-coated-66067>
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- ¹² <https://www.gov.uk/government/news/soft-drinks-industry-levy-12-things-you-should-know>
- ¹³ Public Health England, *Economic impact*, <https://www.noo.org.uk/LA/impact/economic>
- ¹⁴ Public Health England, *Adult Obesity and Diabetes*, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/338934/Adult_obesity_and_type_2_diabetes_.pdf
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- ¹⁶ Petitions. Introduce a tax on sugary drinks in the UK to improve our children's health. <https://petition.parliament.uk/petitions/106651>
- ¹⁷ Centre for Environmental and Resource Economics, *The Signalling Effect of Environmental and Health-Based Taxation and Legislation for Public Policy: An Empirical Analysis*. <http://www.diva-portal.org/smash/get/diva2:747887/FULLTEXT02>
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