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CCHBCI and CCI Response to the Public Consultation on the Proposed Sugar Sweetened Drinks Tax

January 2017

Executive Summary

Coca-Cola Hellenic Bottling Company Ireland Limited (CCHBCI) together, with the Coca-Cola Company, form the Coca-Cola System (TCCS) in Ireland. As a major employer and contributor to the national and local economies, TCCS takes our role in the debate around obesity extremely seriously.

As market leaders in the soft drinks industry, we recognise our unique responsibility to lead and drive innovation that provides consumers with the greatest amount of information and product range to make informed choices about their consumption of soft drinks.

We have led the way at directing consumers towards no and low sugar products. We have led the way in reducing sugar and calorie content in our products. We have led the way in providing consumers with clear information on our packs. And we are continuing to lead through further reformulations and pack sizes that will help address the obesity challenge.

As a result of our efforts, in the last 5 years, we have reduced the amount of calories and sugar in our portfolio of soft drinks by 8%, with reductions of up to 30% in brands such as Sprite and further reductions planned. We are committed to further reduce sugar across our portfolio by a further 10% by 2020.

In this context, it is disappointing that the Government considers it necessary to impose a very selective regulatory intervention on a specific food and drink category that has already substantially reduced sugar intake from the consumption of its products, while other sources of sugar in the diet are ignored.

Nonetheless, we recognise that the Government has committed to this measure and while we maintain our fundamental objection to it, we are approaching this extremely preliminary discussion around the proposed sugar-sweetened drinks tax in a constructive and open manner.

We do so on the basis of offering far more effective and evidence-based solutions to addressing obesity. We maintain that only through further reformulation and innovation will we be able to do so.

The public consultation that the Department of Finance has launched should be seen as a first-step in engagement between Government and Industry on how to address this shared challenge. It is not an end in itself, rather an opportunity to engage on solutions that will work.

On that basis, our starting position on the proposed tax is that it is fundamentally flawed on the basis that it:

1. fails to incentivise effective public health policy measures such as reformulation and portion size reduction;
2. penalises a category that accounts for 3% of calorie intake, while ignoring other sources of sugar in the diet
3. will increase the level of imports, incentivise cross-border trade, and encourage black market trading;
4. places a significant financial and administrative burden on manufacturers and importers;

5. will be difficult to monitor and enforce; and
6. is inconsistent, and creates an unfair advantage for some, contrary to EU state aid rules.

The consultation is also unclear on whether the tax will apply indefinitely without formal review, regardless of outcomes. If it is introduced, it should be with the understanding that there will be a sunset clause, subject to evidence that it is not an effective public health intervention.

We are also strongly of the view, based on evidence from other countries, that the tax will not address the challenge posed by Ireland's obesity rates. Instead, its lasting impact will be a significant financial burden on businesses and consumers. We therefore urge the Government to rethink its proposal and instead to partner with the food and drink industry to implement a range of alternative and more effective measures.

Coca-Cola in Ireland

Together, the Coca-Cola Company and CCHBC employ 1,750 people across the island of Ireland.

We manufacture, distribute and responsibly market a full range of beverages, including 20 brands and 49 different products that are sold in thousands of retail outlets across the country. These products range from the four Coca-Cola variants: Coca-Cola, Coca-Cola Zero, Diet Coke and Coca-Cola Life, through to Sprite, Fanta, Powerade, Oasis and Schweppes. In addition, CCHBC is the owner of the Fruice and Deep RiverRock brands, which it produces and sells in the island of Ireland. 97% of everything that we sell across the island of Ireland is manufactured here.

As a system, we have always listened and responded to the needs of our consumers and we know that obesity is a growing concern for them and their families. Obesity is a complex public health challenge, influenced by many different factors, but we understand the role that diet, including our products, can have on health and wellbeing.

Our approach is based on giving people choice and information about our products, enabling them to make the decisions that are right for themselves and their families. Since 2005, we have launched 18 new drinks with reduced sugar and calories and all of our major brands now have a no sugar, no calorie variant.

In the last five years we have taken significant steps to provide more choice and greater information to our consumers. We have:

- reduced average calories per litre by 8% in our sparkling drinks
- reduced the calories in Sprite by more than 30% by sweetening with stevia
- introduced Coca-Cola Life, our first lower-calorie cola sweetened from natural sources, with a third fewer calories than regular colas
- introduced colour-coded, front-of-pack nutrition labelling (the first soft drinks manufacturer in Ireland to do so)
- adopted a new 'one brand' strategy, uniting four separate Coca-Cola brands as one brand with a choice of variants doubling the media investment in the no-sugar and no-calorie varieties of Coca-Cola

- introduced new pack designs to emphasise the distinctive benefits of each Coca-Cola product, as our research showed that not all consumers properly understood the choice offered by our full range of drinks

We have also set out ambitious new commitments that we intend to meet over the coming years - 50% of the Coca-Cola we sell will be lower or no calorie by 2020 and we will reduce average calories per litre across our beverage range by a further 10% by 2020.

The Government has rightly identified tackling physical inactivity as a priority in improving physical and mental health, and physical inactivity is estimated to cost Ireland €1.6 billion per year. The Healthy Ireland Survey 2015 tells us that two thirds of people in Ireland are not getting enough exercise. We welcome the growing focus on this area, and at Coca-Cola we are committed to playing our part - whether that's using our sponsorship of sport on the world stage to inspire people to be more active, or through our direct support of grass roots programmes in local communities.

The Coca-Cola Thank You Fund has donated €750,000 since 2011 to support community based projects on the island of Ireland that get more people more active, more often.

We have committed to invest €5 million in city bike schemes - partnering with the National Transport Authority of Ireland to bring new city bikes schemes to Cork, Limerick and Galway; Belfast City Council to bring a new city bike scheme to Belfast; and we partnered with JCDecaux and Dublin City Council on dublinbikes, helping to support the expansion of the scheme, tripling the number of bikes and doubling the number of stations. There are now 2,500 Coca-Cola Zero branded bikes in 5 cities. Our goal is to enable 20m city bike journeys by 2020 across the island of Ireland.

We believe that the changes we are making have already made a difference and we will continue to do more. More calorie reductions, more changes to our marketing, more information to help people make informed choices and more investments to encourage active lifestyles.

<u>Coca-Cola response to proposed sugar-sweetened drinks tax</u>

CCI and CCHBCI understand and share the Government's ambition to reduce obesity rates. We are conscious that obesity has been rising and that addressing this rise is a public health priority for Government. We have been, and remain committed to, taking actions based on evidence that will help address the challenge.

However, this does not prevent us from having significant concerns about the proposed sugar-sweetened drinks tax including:

- its ineffectiveness in terms of obesity reduction
- its negative economic impact
- its flawed design
- its failure to incentivise reformulation and portion control

1. Tax ineffectiveness

While some associations have been described in scientific literature reviews, no causal link between soft drinks consumption and obesity has been demonstrated. We reject the assertion outlined in the foreword of the consultation document that sugary drinks are one of the biggest contributors to childhood obesity.

Soft Drinks contribute less than 3% of the calories in UK and Irish diets (National Diet and Nutrition Survey). It is illogical to impose a discriminatory tax on a handful of products and ignore the products that contribute 97% of calories to the Irish diet and 95% of the calories consumed by children.

While obesity rates are rising in both the Republic of Ireland and Northern Ireland, between 2000 and 2012 the sales of sugar-sweetened beverages fell across the island by 21% (sales of sparkling sugar-sweetened beverages fell by 28% in the same period). (Nielsen)

International evidence shows that additional taxation on sugar-sweetened drinks does not achieve public health objectives of reducing incidence of obesity, overweight and related illnesses. For example, in Mexico, the introduction of a sugar tax only managed to achieve an average reduction of 6 calories per day – an outcome that will have very little impact on obesity levels.

Further, new results from Mexico's 2016 National Health and Nutrition Survey show that overweight and obesity now affect 72.5% of Mexican adults. That number is up from 71.2% in 2012 (http://conscienhealth.org/2016/12/soda-mexico-obesity-not-much/).

In the UK, research conducted by Oxford Economics suggested that a sugar levy on soft drinks would have a similar marginal impact, of a 5 calorie per day reduction per person.

A detailed global review published by the McKinsey Global Institute in 2014 highlighted that placing a tax on high sugar or fat products did not rank in the top ten most effective interventions identified by their researchers. Portion control was by far the most impactful measure identified, followed by reformulation of food products.

We firmly believe that Government should work in partnership with the food and drink industry, as well as other sectors to support the introduction of a multi-stranded suite of meaningful solutions, focussed around portion control, reformulation, education and food labelling. Working together with industry to make these programmes happen will ultimately support far greater positive and sustainable health outcomes for Irish consumers.

However, if the Irish Government is committed to pursuing this policy, it should incorporate a review period after two years. If at this point there was no evidence of shifts in consumer purchase and consumption, lower sugar intake from soft drinks and reduction in obesity rates, then the policy should be scrapped.

2. Negative economic impact

While there is little evidence to justify the introduction of a tax on sugar-sweetened soft drinks from a health policy perspective, there is significant evidence to suggest that it will damage both the economy and businesses. We also believe that the cost to support the administration and implementation of the levy will be significant and disproportionate to the negligible public health benefit – something that runs contrary to the express wishes of the Minister for Finance as expressed in his Budget 2017 statement in reference to the proposed tax.

While the consultation document does not indicate whether the tax is targeted at the producer or the consumer, the scale of the tax means that we will have no option but to seek to pass the cost of the levy on to consumers. There is much evidence to suggest that these taxes are regressive and will have a disproportionate effect on low income households (http://onlinelibrary.wiley.com/doi/10.1002/hec.3006/full)

Experience in the island of Ireland and in other European countries has shown that consumers are prepared to cross borders to purchase soft drinks where a price differential exists. Denmark, for

example, abandoned a tax on sugar-sweetened drinks after only 15 months because it was losing €38.9M in VAT due to consumers travelling to Germany or Sweden to purchase products. More recently, in December 2016 the Belgian Government announced that it was abandoning its own tax on sugar sweetened drinks after its introduction provoked similar cross-border purchasing.

We also know that when cross-border shopping between the Republic of Ireland and Northern Ireland was at its peak in 2009, the average cross border trip was worth €286 per shopper, which at the time was estimated to cost 11,000 jobs and €220M to the Irish economy.

There are 231 entry points between the Republic of Ireland and Northern Ireland. Without border controls at these points, any imports of soft drinks by wholesalers would have to be subject to voluntary declaration and self-assessment.

This presents a real risk of cross-border smuggling and a risk of non-controlled and non-taxed products entering Ireland. It is a concern that we are yet to see any detail regarding a plan to monitor and police this trade – a task only the Revenue Commissioners can undertake.

3. Flawed design that does not incentivise positive innovations

At this stage, insufficient information has been provided by the Department of Finance on how the proposed tax will be designed, structured, and implemented. It is difficult therefore to project what the exact impact of the tax will be, other than to assume that the same concerns and negative impacts that have arisen in other jurisdictions will be experienced in Ireland with minimal public health benefits.

That being said, TCCS understands the Department of Finance's intentions and will continue to work with them in a collaborative and co-operative spirit to allow them to understand the challenges that the introduction of this tax poses for our industry and the wider economy.

We have not been offered the opportunity to comment on the structural design of the tax, and in particular why and how the particular tax bands have been identified or will operate.

However, in the absence of that, we would ask the Department of Finance to consider the following:

1. the role of smaller pack sizes
2. the need to encourage reformulation within the bands

Portion control has been identified as one of the key tools in the fight against obesity, and as a significantly more effective tool for fighting obesity than a tax[17].

Yet, the proposed tax offers no incentive for companies to invest in the commercialisation of smaller pack sizes for added sugar products (for example, ones containing less than the maximum amount of 30g of added sugar per day that many public health campaigners recommend for everyone aged 11 and older).

This would not only mitigate some of the negative economic impact of the tax but would also remove many thousands of tonnes of sugar from Irish diets on an annual basis.

Reformulation has also proven one of the most successful measures that can be taken to reduce sugar from the national diet. To encourage further reformulation by soft drinks companies, the bands should

be set at appropriate rates. The risk is that incremental reformulation is not incentivised thus reducing the potential impact this most effective measure can have on public health.

Response to Consultation Questions:

Whilst we are fundamentally opposed to the proposed tax, we welcome the opportunity to respond to the questions outlined in the consultation document.

It must also be noted that in the absence of detail on the shape and structure of the tax, and defined terms, we have found it challenging to respond to the questions outlined in the consultation document. We respectfully reserve the right to outline our position further once more clarity has been provided.

However, we welcome the acknowledgement in the document any levy should be implemented in a way that does not place undue burden on retailers, producers or importers while minimising cross-border impact.

We welcome the objective that any such levy will not conflict with EU State aid rules, maintaining a fair and competitive marketplace.

With regard to the administration of the tax, we advocate that the tax should arise on sale or 'ex-factory gate' to minimise administrative burden and compliance costs, as outlined in the consultation document.

Question 1: The tax will apply to water-based and juice based drinks with an added sugar content of above 5 grams per 100ml. It will not apply to milk-based drinks. Are there drinks on the market which do not fit neatly into these categories, which may be of concern for producers from a compliance point of view?

If a tax on sugar sweetened drinks is introduced, we believe that any sources/forms of sugar used to sweeten drinks should be considered within the scope.

However, we believe that a caveat should be in place to allow for future innovation in sugar derivatives that support calorie reduction in beverages. Exclusions should be in place which allow for non-calorific sweeteners to be used as sugar alternatives in order to reduce the calorie content of soft drinks.

Furthermore, with regard to milk-based drinks, we believe that all added sugar drinks should be treated equally, regardless of milk content.

There are several examples of drinks sold on the Irish market that are high in milk content and high in added sugar. These drinks can contain more sugar and more calories per serving than a serving of Coca-Cola Classic and are direct competitor products of the set of drinks that will be subject to the levy.

We see no reason why any milk drinks containing added sugar levels that exceed the stated thresholds should be exempt from the tax – especially given their appeal to children and teenagers. This gives their manufacturers unfair advantage and runs contrary to the aim of the tax.

Question 2: Naturally occurring sugar will not be included within the scope of the tax. Do producers have the mechanism for identifying and declaring the added sugar content as opposed to the naturally occurring sugar content of their drinks?

Given that reduction of total sugar content in pure fruit juice is currently technically difficult to achieve, we agree that pure fruit juices should be excluded from the scope.

All manufacturers should be in a position to provide a breakdown of the naturally occurring sugar versus added sugar contained in any product. However, once both forms of sugar are blended in a beverage it is nearly impossible to distinguish between the two.

This raises a number of issues, as any tax will be reliant on data from importers/producers without Government's ability to verify such a data. A further area of consideration is to ensure that no discrimination arises between beverages manufactured locally and those imported.

Question 3: It is intended that the tax will be collected at first point of import or production. What compliance issues does this present for producers?

Should Government proceed with the introduction of the tax, our position is that it should not arise at the point of production or importation. The earliest point of application should be point at which the product leaves the manufacturing premises or once sold by the producer/importer to their direct customer.

We note the Department of Finance's objective to reduce the administrative burden of the proposed tax, and propose that it should be applied at 'ex-factory gate', when the soft drink leaves the manufacturing premises or at 'point of invoice', the point where the product is sold by the producer/importer to their customer. These options offer the least burdensome collection methods.

Furthermore, the UK levy currently proposes that the tax will be applied at the point the soft drink leaves the manufacturing facility and we advocate that any similar tax in the Republic of Ireland should align with that if the intention is to structure both regimes similarly.

It should also be made clear that any tax should only apply to saleable product, which has been successful delivered to the outlet where is can be sold to the end consumer. At any stage prior to this point, there is a real possibility that the product may never reach the final consumer and therefore should not be subject to the tax. This can arise due to quality checks throughout the production process which may identify packs unfit for sale.

Considering the above, we believe that applying the tax based on final sales to retail customers on a quarterly, retrospective basis presents the more accurate and realistic mechanism for reporting and collection of the tax.

Question 4: The tax will apply to pre-packaged drinks products only. This presents difficulties in relation to drinks which are intended to be consumed as a diluted level. Is there scope to declare the sugar contents of these particular products at their intended consumption levels, at the early point of import or production?

Dilutables and cordials have a recommended dilution ratio, which is set by the brand owners/manufacturers. However, this is only a serving suggestion as dilution ratios are very much a personal preference for consumers. There is potential for some producers to alter the recommended dilution ratio to reduce their tax liability. For this reason, we believe that for tax liability purposes, a single ratio should be applied across all dilutes and cordials irrespective of different brand recommendations.

Liquid drink flavourings can also be high in sugar, and we see no reason why liquid drink flavourings should not be treated in the same way as cordials and dilutables.

Question 5: What do respondents consider to be an 'added sugar'? What would they define as necessary to include in this definition in order to cover the types of sugars typically added to soft drinks?

It has been challenging to respond in depth to the principle of a sugar levy without an agreed definition of the terms 'sugar' and 'added sugar'. We would have welcomed further consultation with industry to define this and other terms prior to our formal submission and ask that the Department open itself to further discussion post-submission.

In the meantime, for the purpose of responding with clarity, we propose a definition based on European Food Safety Authority's (EFSA) definition of sugar and added sugar:

The term "sugars" covers monosaccharides and disaccharides, the term "added sugars" refers to sucrose, fructose, glucose and starch hydrolysates (glucose syrup, high-fructose syrup) and other isolated sugar preparations used as such or added during food preparation and manufacturing.

In the spirit of the tax's public health objectives, we propose that any definition or legislation for this proposed tax exempts all non-calorific sweeteners from consideration, including those derived from sugar. The allowance of sweeteners and any future innovations sugar derivatives will support and encourage industry's ongoing reformulation efforts to reduce the calorie content of drinks.

Question 6: If you are a very small producer of SSDs, what concerns do you have regarding being included in the SSD tax?

If the objective of the tax is to encourage healthy eating as stated in the Healthy Weight for Ireland action plan, it makes no sense why government would consider exempting parts of the market.

Any exemptions or favourability shown towards very small producers creates a significant advantage and may encourage fragmentation of businesses in order to avoid the tax. This is not only relevant for small producers but also for importers, who may purchase non-taxed drinks from other markets and sell at a lower cost in the Irish market.

Such a structure would also introduce greater risk of tax avoidance activities in the economy as a competitive advantage would be gained by representing a business as a small operator.

A very small producer allowance could also breach EU State aid rules, and therefore a universal relief should be considered as an alternative.

Our position is that any tax should apply equally and consistently to all producers and importers to ensure no economic advantage is created.

Question 7: In relation to milk-based drinks, should there be a minimum milk content in order for a drink to be defined as milk-based?

Further to our response to question one, it is our strongly held view that any drinks containing added sugar should be treated the same, regardless of milk content. If the objective of the tax is to reduce sugar content in the diet, then it should apply to all drinks containing added sugars equally.

Furthermore, we believe that singling out one category for a tax, such as the proposed SSD tax is discriminatory. As acknowledged by the recent proceedings brought before the Finnish Government, an advantage provided to one food category over another is discriminatory and effectively amounts to state aid. The country's excise duty on sweets, ice-cream and soft drink now extends to sugar sweetened milk-based beverages to eliminate the anti-competitive nature of the original structure of the tax.

Question 8: Are there particular cross-border issues that you envisage will exist if the Irish SSD tax does not closely align with the UK soft drinks industry levy?

If the structure and timing of the UK and Ireland regimes do not align, there is extensive risk of cross-border trading and loss of revenue to both Irish retailers and the Revenue Commissioners.

Furthermore, the uncertainty of the post-Brexit trading relationship between Ireland and the UK, in addition to ongoing sterling fluctuations, makes a full assessment of these risks and cost to our business impossible at the current time.

Should a tax be introduced, there is also significant incentive for retailers to source product from cross-border wholesalers for onward sale at increased margin. With 231 entry points between the Ireland and Northern Ireland and no customs controls at these points, any imports of soft drinks by wholesalers would have to be subject to voluntary declaration and self-assessment. This presents a real risk of cross-border smuggling and a risk of non-controlled products entering the market.

See response to question 16 for further detail.

Question 9: How integrated are the production systems for soft drinks across borders in the UK and Ireland? Does the cross-jurisdictional nature of production of soft drinks present particular difficulties to producers?

We are eager to engage further with the Department and Revenue Commissioners to discuss inter-company volume and cross-border trading challenges.

The Coca-Cola System is rooted across the island of Ireland. CCHBC Northern Ireland Limited (CCHBCNI) is a contract manufacturer for CCHBCI. CCHBCI imports products from Northern Ireland into Ireland and distributes them directly to customers across Ireland.

Given the plans for a UK levy, it is a risk that our products could be liable for double taxation. An alignment with the UK on the point of liability for production (and credit/exemption for exports) and importation will be crucial to ensure this risk and undue administrative burden is reduced.

Furthermore, we advocate that point of liability for produced goods should arise on sale (i.e. ex-factory gate) rather than on ex-production. For imported goods, liability should arise on sale to customers located in Ireland rather than on importation.

Should the point of liability be ex-production, producers will need to fund the levy for an additional period- up to several months – resulting in severe cash flow challenges that have the potential to cripple business.

A quarterly, retrospective application of the levy based on factory gate sales presents the least administrative burden for producers and would see the levy mirror the operation of VAT:

- Allowing for businesses to mirror the collection mechanisms already used to capture VAT on sales;
- Minimising cash flow burden or paying the levy in advance or products being sold
- Eliminating product that have not passed quality control checks, and have been scrapped.

With the potential of Brexit to also trigger the UK's departure from the jurisdiction of the ECJ, there is a significant chance for differing food standards, labelling requirements and other testing. This has the potential to create further cost and administrative burdens on our business in order to comply with divergent regulations across separate jurisdictions.

Question 10: Is there a system whereby producers can track their individual products, for example in the case of a product recall being necessary? Would it be possible to integrate this system with the SSD tax, to allow the Revenue Commissioners to audit whether products for sale to the consumer have been subject to the tax?

We currently produce more than 250 different products and report and maintain records on all. These reports can be aligned to any sugar content bandwidths defined by the tax.

We do not see an issue in complying with reports required by the Revenue Commissioners, however reporting will require additional resources, which will add to costs.

Question 11: More broadly, do you have any concerns from a health perspective about which products are included and excluded by the scope of the tax?

As outlined above, we reject the premise of the tax which aims to reduce obesity levels by taxing a product which amounts to just 3% of the average calorific intake of adults.

We would have a further concern around the potential for black-market or counterfeit products entering the marketplace which may be mistaken for legitimate soft drink products and not in compliance with food and drink safety standards.

Question 12: Producers may be required to provide regular documentation to verify the added sugar contents of their produce to the Revenue Commissioners. We anticipate that this information will already form part of industry production methods. How costly a task would this be for producers?

Without a clear insight to the shape, structure and extent of the proposed levy, these costs are impossible to calculate. We welcome the opportunity to discuss further with the Department and can provide a full assessment once more information is available.

Question 13: Those who are liable to pay the tax will be required to register and submit returns. Are respondents aware of any data sources that can be relied upon to support compliance and/or reduce administration burden on businesses? (e.g. traceability records)

Reporting under Intrastat/ EC Sales lists is the basis of the commodity code. As the carbonated code 2202 is not sub-divided into no, low, medium or high sugar content brackets, it is difficult to see how these could provide support on compliance as no details are required to be reported in relation to products no subject to the tax.

It is possible that independent market data from Nielson, Kantar or Canadean could help to broadly validate compliance. However, these reports may not be precise enough for this purpose.

Before responding further, we would welcome more detail on Department expectations around the detail to be included in these returns.

Question 14: Are there circumstances where soft drinks may become spoiled or unfit for use after the bottling process and if so, can producers advise the extent that this occurs and the quantities involved?

While the amount of spoiled product is relatively small, product may become spoiled in a number of ways:

- Packs may be under-filled and not be packaged for sale
- Packs may become damaged during the production process
- Product may not reach quality standards & be scrapped
- Packs may become damaged during warehouse storage
- Product in warehouse may exceed its best before or shelf life & be scrapped
- Shops may hold stock past its best before date and return it
- Product recalls
- The testing of reformulated products inevitably leads to trial-and-error waste. Potential taxation on these products would discourage reformulation and innovation.

Given that the proposed tax is focused on consumption outcomes, rather than manufacturing, it would be appropriate for the tax to take full account of spoiled product that did not reach the consumer.

Question 15: Are you involved in any export or re-export trade in soft drink or SSD and if so, do you see any difficulties posed to those transactions?

Yes, CCHBCI is involved in the export of sugar-sweetened drinks.

Therefore, the legislation should provide for a situation where the producer/importer can formally obtain approval from the Revenue Commissioners to apply the relief at the time when the liability arises, where it can demonstrate to the Revenue Commissioners that its procedures in documenting export volumes are robust.

Finally, it should be noted that the exporter is not always the producer of the goods. Therefore, it is essential that the legislation provides relief from the levy for indirect exports (where there is robust evidence) and not just directly by producers.

Question 16: What "black-market" or other tax evasion activity do you consider might be directly caused by introducing a SSD tax?

As previously stated, the tax has the potential to open up a grey and black market for soft drinks through imports, without a clear, adequate system of checks and balances.

There is a risk of counterfeit, recipe fraud and imports of product that doesn't meet the aims of the tax.

Were the tax to be introduced there also is an incentive for retailers to source product from cross-border wholesalers for onward sale at increased margin.

With no customs controls at across the Ireland /Northern Ireland border currently, any imports of soft drinks by wholesalers would have to be subject to voluntary declaration and self-assessment which would be challenging to manage and regulate.

This presents a real risk of cross-border smuggling and the entry of non-controlled, potentially unsafe, black market product entering the market.