



**IRISH HEART  
FOUNDATION**  
Fighting Heart Disease & Stroke

## **Irish Heart Foundation**

**Submission to Department of Finance  
Sugar-Sweetened Drinks Tax**

**December 2016**





## **About the Irish Heart Foundation**

The Irish Heart Foundation is the national charity dedicated to fighting heart disease and stroke. Today in Ireland more people die from heart and stroke-related illnesses than from any other cause of death. Against this background we work to bring hope, relief and a better future to families all over Ireland. We give vital patient support through our Heart & Stroke helpline and we provide high quality public information for all.

We support pioneering medical research, campaign for improved patient care, and promote positive public health strategies. We work in hospitals, schools and workplaces to support, educate and train people to save lives. As a charity we are dependent on the generosity of the public to continue our vital good work. You can fund our work by making a donation, give of your time to volunteer or learn the skills needed to save a life through our courses.

# SUBMISSION TO DEPARTMENT OF FINANCE

## *Sugar-sweetened drinks tax*

December 2016

### **Executive summary**

The purpose of the SSD tax is to encourage individuals to reduce their consumption of sugar-sweetened drinks (SSDs) and for the beverage industry to reduce the level of sugar in products (reformulate) and focus more on low and no-sugar products in sales and marketing strategies. Fiscal policies to improve diet - taxation and subsidies - are important population-based interventions to reduce the consumption of energy-dense products to assist in reducing obesity.<sup>1</sup> Such fiscal measures are part of the menu of options which are required to improve diets.

The introduction of the SSD tax would both stimulate the public to reduce consumption of these calorific products and, if a portion of the revenue is ring-fenced, could provide the funding to pay for Government health initiatives. The investment of the revenue from the SSD tax into a Children's Future Health Fund could ensure that the revenue is put back into poorer communities where the impact of SSDs on children's health is most pronounced.

### ***The need to reduce sugar consumption***

The IHF recommends water and plain low-fat milk as the healthiest drinks for children and adults – water is the best thirst quencher, providing rehydration without calories, while low-fat milk is a rich source of protein and essential vitamins and minerals. In line with health recommendations, the IHF therefore strongly supports introduction of an SSD tax to reduce consumption of high sugar products.

Reducing sugar consumption in line with health guidelines should also be a priority for taxpayers, given the large health costs associated with obesity and the economic impact on productivity and other indirect costs. In Ireland, the direct costs of overweight and obesity in 2009 was estimated at approximately €400 million, accounting for an estimated 2.7% of total health expenditure.<sup>2</sup>

### ***Obesity in Ireland***

There are now 54,280 obese school-aged children in Ireland.<sup>3</sup> Obesity is the result of a complex interplay of factors but recent evidence from the World Health Organisation (WHO) has found that increases in the food energy supply alone are sufficient to explain weight gain over recent decades, especially in high income countries.<sup>4</sup>

SSDs play a unique role in the obesity epidemic<sup>5</sup> – they have low / no nutritional value and do not provide a feeling of fullness. As a result, people usually consume SSDs in addition to the food they eat.

The IHF is concerned by health inequities evident in obesity rates and its associated diseases. It is adults and children in the lowest socio-economic groups who are impacted most by this disease burden.<sup>6</sup> More must be done to support all members of society to have access to healthy, nutritious food and drinks.

### ***SSDs and obesity***

The Irish Heart Foundation (IHF) has advocated for a tax on SSDs given the link between SSD consumption, obesity and cardiovascular disease. WHO Guidelines on sugar intake (2015)<sup>7</sup> recommend adults and children reduce their daily intake of free sugars to less than 10% of their total energy intake and they suggest that a further reduction to below 5% or roughly 25 grams (6 teaspoons) per day would provide additional health benefits. A single 330ml can of SSD may contain as much as 35g of sugar, instantly bringing a child about their recommended daily intake of sugar. Ireland's healthy eating guidelines (2016)<sup>8</sup> state that sugary drinks (and other products high in fat, sugar and salt) should be limited to *'sometimes and only in small amounts. Not every day, maximum once or twice a week.'* Further such products are described as *'not needed for health and may promote overweight and obesity.'* The SSD tax is one element of ensuring that Irish consumption patterns better align with health guidance.

### ***SSD tax - supported by evidence, government policy and the public***

An effective SSD tax to reduce sugar consumption is a vital part of a comprehensive strategy which tackles the price, promotion and formulation of food and drink within the obesogenic environment. The IHF has worked closely with academics, health experts and policy experts in Ireland and internationally to support development of an evidence-based case for an SSD tax. We have worked to demonstrate the value and need for the measure both among policymakers and with the public. Both groups now largely support the introduction of this policy.

National policy (the 2016 Programme for Government and *A Healthy Weight for Ireland: Obesity Policy and Action Plan*, 2016) supports the introduction of an SSD tax and the public supports its introduction<sup>9</sup>, particularly if revenue from the tax is used for obesity prevention in children. Earmarking some of the revenue from the tax would provide greater accountability to achieving positive outcomes in obesity policy as funding would be dedicated to a specific commitment and would increase public acceptability.

An SSD tax has the backing of health authorities and organisations in Ireland and internationally, including: the WHO; the Irish Department of Health; the Royal College of

Physicians of Ireland; the Institute of Public Health; *safefood*; the Office of the US Surgeon General; and the Australian National Preventative Health Agency.

The Irish public support the introduction of the tax. A 2015 Ipsos MRBI poll for the IHF<sup>10</sup> found almost six out of ten supporting the introduction of the tax to reduce childhood obesity. If the revenue raised was spent on initiatives to fund healthy diets among children, support increased to 76%.

Opposition to the tax has primarily come from industry representative organisations, such as the Irish Beverage Council.

The IHF fully supports the government's commitment to introduce an SSD tax. This important measure also needs to be accompanied by a number of other government-led measures, including reducing children's exposure to food marketing for products high in fat, sugar and salt (HFSS) and increasing access to nutritious foods.

### ***Reinvest tax revenues for health gain***

The IHF has long called for the reinvestment of revenue from the SSD tax in programmes to reduce obesity and food poverty, particularly in children.<sup>11</sup> The Department of Health supports such reinvestment of tax proceeds in public health actions.<sup>12</sup>

The IHF's purpose in continuing to advocate for an SSD tax is both to reduce consumption of these high sugar products and to provide funding for health and nutrition programmes specifically targeting children and young people. The introduction of an SSD tax would give a clear indication to industry that the government's approach to nutritious food is changing and incentivise companies to provide healthier options. The SSD tax is just one measure which is needed to reduce consumption, encourage healthier diets and to influence the food industry to focus on selling and promoting more nutritious products. That is why it is essential that part of the revenue from the tax be directed to address childhood obesity and food poverty, such as increasing availability of free drinking water in schools and public buildings; introduction of a national healthy food standard in post-primary schools (including removal of all vending machines and junk food provision from schools); and subsidies to reduce the price of healthy foods. While the SSD tax on its own will have a small but significant impact on obesity, the impact could be majorly bolstered by the earmarking of initial revenue from the tax into a Children's Future Health Fund.

## Recommendations

- The SSD tax should have two rates (per 5g and per 8g per 100ml) to ensure that proportionally higher sugar products are more costly and to promote industry reformulation across its portfolio of drinks.
- The tax should be set at a rate to achieve a 20% increase in price. Such an increase in price is necessary to ensure behaviour change by consumers, away from high sugar drinks.
- Reflecting healthy eating guidance the following products should be defined as SSDs and included in the tax: water-based SSDs; squashes, sprays, dilutable cordials and iced drinks. As the SSD market develops, there may be the need to include newly developed products within the scope of the tax.
- Dairy products which are 90% milk and have less than 5% added sugar content should not be subject to the tax.
- A portion of the tax revenue should be reinvested in programmes to address childhood obesity and food poverty, supporting all to have access to healthy, nutritious food.
- The tax system should be rigorously and independently evaluated in terms of consumption levels, industry pricing strategies and industry reformulation.
- The SSD tax is one of a suite of measures which will be required to reduce obesity in Ireland. The government should continue to introduce supportive measures, such as regulation of HFSS marketing to children and the introduction of healthy food standards for post-primary schools.

## Response to consultation questions

This submission was developed in consultation with the IHF Nutrition Council (comprising nutrition and public health experts).

### 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?**

The IHF recommends the inclusion of squashes, sprays and dilutable cordials (according to diluted volumes as drunk by consumers, rather than as indicated on packaging), iced or 'slushy' drinks in the scope of the tax. As the market develops, there may be the need to include newly developed products within the tax.

The introduction of the SSD tax will affect sugar and SSD consumption not only as a direct effect of price changes, industry reformulation and introduction of new products but also

through the educational effect of the associated media and public discourse the tax generates. As such it is important that all SSDs in the market are subject to the tax.

Already, the decision to introduce the tax appears to be having an impact, with a number of SSD companies announcing plans to reformulate products to reduce sugar content.

Research just published in *The Lancet*<sup>13</sup> (December 2016) concludes that the potential health gains of the UK SSD levy '*could be maximised by substantial product reformulation, with additional benefits possible if the levy is passed on to purchasers through raising of the price of high-sugar and mid-sugar drinks and activities to increase the market share of low-sugar products*'.

**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?**

Nutritional analysis software could allow manufacturers to determine the amount of natural versus added sugar in their products.

**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?**

By making the liability for the tax fall at the earliest point in the distribution process, the tax can be collected from the small number of traders operating in the Irish market (we understand there are 13 distributors operating in the Irish market), reducing tax administration and compliance costs.

**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?**

In order to ensure that the tax applies fairly to products it is essential that any dilutable drinks are taxed according to the diluted volumes as drunk by consumers, rather than as indicated on packaging (which may not reflect consumer behaviour). The tax should be set at a standard dilution ration, which will need to be monitored independently of industry to ensure ratios are appropriate.

### 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?**

The IHF recommends the system follows the World Health Organisation definition of free sugars from the 2015 *Guideline: sugars intake for adults and children*<sup>14</sup>:

*Free sugars include monosaccharides and disaccharides added to foods and beverages by the manufacturer, cook or consumer, and sugars naturally present in honey, syrups, fruit juices and fruit juice concentrates.*

The IHF recommends water and plain low-fat milk as the healthiest drinks for children and adults – water is the best thirst quencher, providing rehydration without calories, while plain low-fat milk is a rich source of protein and essential vitamins and minerals.

New Healthy Eating Guidelines (Department of Health, 2016<sup>15</sup>) make the following recommendations in terms of SSDs:

- *‘Don’t eat the following foods and drinks every day:*
  - *Sugary drinks*
  - *Biscuits, cakes, desserts, chocolate, sweets*
  - *Processed salty meats like sausages, bacon and ham*
  - *Salty snacks like crisps.’*
- *‘Limit foods and drinks high in fat, sugar and salt to sometimes and only in small amounts. Not every day, maximum once or twice a week.’*
- *HFSS products are described as ‘not needed for health and may promote overweight and obesity.’*
- *‘Most people consume snacks high in fat, sugar and salt and sugar sweetened drinks up to 6 times a day (Healthy Ireland Survey 2016). There are no recommended servings for Top Shelf foods and drinks [includes SSDs] because they are not needed for good health.’*

WHO Guidelines on sugar intake (2015)<sup>16</sup> recommend adults and children reduce their daily intake of free sugars to less than 10% of their total energy intake and they suggest that a further reduction to below 5% or roughly 25 grams (6 teaspoons) per day would provide additional health benefits. However, in Ireland, SSDs alone contribute approximately 5% of total energy in the diet of children.<sup>17</sup> This 5% of total energy consumed by young people in Ireland represents an average of 83 Kcal per day in 5-12 year olds from SSDs alone and 96 Kcal per day in 13-17 year olds.

#### *Exclusion of pure fruit juices (without added sugars) from SSD tax*

The IHF is broadly supportive of the exclusion of pure fruit juices (i.e. without added sugars) from the tax as they can be used as one portion of the recommended 5-a-day fruit and vegetable consumption. The Department of Health’s (2016) Healthy Eating Guidelines<sup>18</sup>



recommend that 150ml of unsweetened fruit juice counts as one serving of the recommended fruit and vegetable servings.

However, we would urge caution about the possible effects of the exclusion of pure fruit juice from the tax given that consumption of such juices can contribute to excess consumption of free sugars and calories. Mechanisms should be established to encourage manufacturers to reduce the size of single-serve products to 150ml pure fruit juice in line with Ireland's healthy eating guidelines. Further, it will be necessary to monitor practices to ensure manufacturers do not start to use fruit juices as SSD sweeteners to avoid the tax.

#### **Question 6**

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

For consistency all SSDs, regardless of producer, should be subject to the tax. Given the policy objective to reduce consumption of these products, the logical approach is to apply the tax to all products which fall within the scope of the tax *due to their composition*. However, we understand the need to balance the purpose of the tax against the administrative costs of collecting the tax revenue from very small producers. For purposes of administration the IHF would recommend that a 'very small producer' would be considered as one which trades only as a sole market stall seller, and would not include any producer which sells through retailers.

There are some existing exemptions in Irish food safety legislation for food businesses which produce very small quantities of food. The Food Safety Authority of Ireland (FSAI) has recently defined small quantities of food for the purpose of new nutrition labelling rules as: '*(a) 250 kilograms or litres per week or 13,000 kilograms or litres of products per year or (b) 500 units per week or 26,000 units per year. Manufacturers can choose either*'.<sup>19</sup>

If an exemption was to be introduced for very small producers the IHF recommends the model adopted is a production exemption for very small producers, rather than a form of small universal relief (which would be of benefit to even large brand-leaders). Under such a model it would be necessary for the Revenue Commissioners to be given the necessary resources and powers to monitor company structures to ensure that producers are not splitting into multiple smaller entities to benefit from a production exemption.

In reality, the Irish and international SSD market is dominated by a small number of large companies. Leading multinational companies have the majority share of all beverage markets (carbonates, nectars, squashes/syrups, sports drinks, energy drinks, still drinks) in Ireland.<sup>20</sup> There is high concentration of market share among soft drinks producers in Ireland. Bord Bia indicates that in 2014, the soft drinks sector in Ireland was dominated by four companies with their market share reaching over 50%. Similarly there are a small number of manufacturers in Ireland. The CSO indicate that only 11 enterprises were classified under 'NACE sector 1107' (which covers firms that manufacture beverages such as soft drinks, bottled water, fruit drinks, flavoured milk drinks and cordial).<sup>21</sup> It is likely that

some of the consumption of SSDs which is reduced by the tax will switch to other products (e.g. diet soft drinks) within these companies, thereby, minimising disruption to these firms and the people they employ allowing for recovery of lost revenue across diversified product ranges.

#### **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?**

Milk is a source of nutrients, including protein, calcium and vitamins. These nutrients can best be received from low-fat milk products. The SSD tax should support manufacturers to produce milk products which are nutrient rich, but low in terms of total sugar content. Plain milk, no-added sugar milk, or low-sugar milk drinks are available and should be promoted as part of the SSD tax system. In terms of milk consumption, the Healthy Eating Guidelines (Department of Health, 2016) recommend that people: *'Choose reduced-fat or low-fat varieties.'*

The IHF recommends that only drinks with 90% milk content and which have less than 5% (5g per 100ml) added sugar should be exempt from the SSD tax. This reflects the fact that in the UK, the majority of flavoured milks on the market already contain 90% milk<sup>22</sup>. Many of these products will have sugar content in excess of the 5g per 100ml threshold for the tax (some of this sugar from lactose, but the remainder added sugar). In relation to dairy drinks, *safefood lunchbox guidance*<sup>23</sup> states: *'Flavoured milks are also a good source of calcium but have a higher energy and sugar content than plain milk – check labels and compare brands'*.

We would be concerned if almost all dairy drinks (including those with high added sugar) were excluded from the SSD tax as this would reduce manufacturers' incentive to reduce the sugar in their products, or develop no-sugar offerings. A number of companies have recently reduced, or announced their intention to reduce the added sugar in their milk-based products<sup>24</sup>, indicating it is possible to do so.

#### *Plant-based drinks*

The IHF considers that plant-based drinks (i.e. non-dairy milk alternative drinks, such as almond, oat or soya based drinks) which have added sugar in excess of 5g per 100ml should be subject to the tax.

Plant-based drinks are not nutritionally comparable to cows' milk. A recent study<sup>25</sup> confirmed that plant-based beverages vary widely in their nutritional profiles, and the authors recommended that young children drink cows' milk unless there is a medical reason they cannot. Such products are naturally low in protein and the protein that is present is of low quality. Compared to cows' milk, they are also low in iodine, calcium and Vitamin D unless they are supplemented with these nutrients. It is not yet clear that the body can absorb and use these added nutrients in the same way as those naturally present in cows' milk. Finally, the sugars within milk alternatives are free sugars, unlike lactose from milk, which is not a free sugar and is exempt from sugar restrictions.

**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?**

Some concerns have been raised about the possibility of tax evasion through undeclared cross border supplies if an SSD tax was introduced in the absence of a similar measure in Northern Ireland, with similarities drawn to solid carbon fuel smuggling. However, smuggling of solid fuel is primarily due to long established smuggling networks and the fact fuel is a high cost item, with considerable tax differentials between the Republic and Northern Ireland (VAT on solid fuel is levied at 5% in the UK and 23% in the Republic, plus the Republic further applies the carbon tax). The UK's commitment to introduce an SSD levy in April 2018 should remove any further concerns that an SSD tax in the Republic would encourage cross-border - shopping in Northern Ireland. Furthermore, the low relative cost and high weight and bulkiness of SSDs would make it highly unlikely that any cross-border shopping or organised smuggling would be rendered worthwhile by any possible disparity in prices between the two jurisdictions.

**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?**

There should be a consistent and comprehensive approach to ensure that all high sugar drinks are subject to the tax. This will maximise the health benefits of the policy and reduce the possibility of loopholes to be exploited by manufacturers.

In addition to the other products referred to in the consultation document, the IHF recommends the inclusion of:

- Dilutable cordials, squashes and syrups (according to diluted volumes). The dilution ratio should be independently verified and regularly monitored. It would not be suitable to leave this based on the 'as stated on the packaging' dilution ratio, which may not be followed by consumers in practice. The tax should be set at a standard dilution ration, which will need to be monitored independently of industry to ensure ratios are appropriate.
- Liquid drinks flavourings (e.g. used in flavoured hot chocolate and similar drinks) and dissolvable powders. Particular thresholds for such products will be required.
- Candy sprays which are composed of SSDs and the only difference is that the drink is packaged as a spray or roller rather than in a bottle/can.

As the aim of the tax is to reduce consumption of high sugar products, we recommend a system be put in place to require manufacturers / retailers who are giving away SSDs free of charge to pay the tax on the promotional product.

**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?**

The IHF believes there is an opportunity to align this process of documentation with on-pack labelling information for consumers, i.e. on-pack labelling showing the number of teaspoons of sugar in the product.

**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)**

The IHF believes there is an opportunity to align this system of returns with ongoing evaluation of the SSD market in Ireland.

**Question 16**

**What 'black-market' or other tax evasion activity do you consider might be directly caused by introducing a SSD tax?**

The IHF considers that including all SSDs within the scope of the tax is a consistent and fair approach which will also guard against unintended consequences of excluded certain products, including the very small likelihood of any 'black-market'.

## **Additional comments**

---

### **Design of tax**

- **Introduce two rates (per 5g and 8g sugar per 100ml) to support high sugar consumption reduction and industry reformulation**
- **Set tax rate to achieve 20% increase in price to support consumer behaviour change.**

The introduction of a two rate tax - per 5g and per 8g per 100ml - would align the Irish SSD tax with the UK's soft drinks industry levy and would encourage industry reformulation of products. In the UK, two rates will apply, at 5g per 100ml and a higher rate for more than 8 grams. It is estimated a standard can of Coke, costing 68 pence, will increase by 8 pence (almost 12% increase) and a £1.50 1 litre bottle of Lucozade would increase by 24p (16%).<sup>26</sup>

In order to achieve public health goals, the level of the SSD tax must be set so as to affect behaviour and reduce consumption of SSDs.<sup>27</sup> The widespread consumption of SSDs in Ireland means that even small taxes will generate considerable revenue, but as indicated by research<sup>28,29</sup> only taxes of at least 10-20% are likely to reduce consumption. The team which

undertook the SSD tax Health Impact Assessment<sup>30</sup> for the Department of Health concluded that a 20% levy could reduce the number of obese adults in Ireland by 22,000.<sup>31</sup>

### **Compliance measures and penalties**

The IHF would welcome details on the compliance procedures and the penalties which will be used to ensure manufacturers, importers and retailers comply with the system, thereby ensuring a level playing field for all in the SSD market.

The Revenue Commissioners may require additional resources and staffing to monitor compliance and this need should be assessed and fulfilled in advance of the 2018 introduction date.

### **Strong support from public health experts and from the wider public**

Public support for the SSD tax has grown, even following years of austerity. A 2014 Ipsos MRBI poll carried out for the Irish Heart Foundation<sup>32</sup> found 52% of the Irish public supported the introduction of an SSD tax. Almost 90% agreed that SSDs contribute to obesity among children and agreed that Irish children and young people consume too many SSDs. A 2015 Ipsos MRBI poll for the IHF<sup>33</sup> found support for the tax had grown, with almost six out of ten supporting the introduction of the tax to reduce childhood obesity. When asked whether they would support the tax if the revenue raised was spent on initiatives to fund healthy diets among children, support increased to 76%.

Food industry opposition, based on conjecture and self-interest, has been demolished by the weight of scientific evidence indicating the health impact of SSDs, the real-world evidence from Mexico and other countries of the health dividends from SSD taxes, and the coalition of public and political support for an SSD tax when it is used to bolster further action on obesity and food poverty.

### **Need for reinvestment of revenue in programmes to address obesity and food poverty**

The SSD tax is just one measure which is needed to reduce consumption, encourage healthier diets and to influence the food industry to focus on selling and promoting more nutritious products. That is why the Irish Heart Foundation has advocated for a number of years that it is essential that part of the revenue from the tax be directed to address childhood obesity and food poverty. The 2016 Department of Health Working Paper on the SSD tax<sup>34</sup> also recommends *'re-investing proceeds of tax toward inter-sectoral actions in support of healthy lifestyles'*. The introduction of the SSD tax would both encourage the

public to reduce consumption of these calorific products and, if a portion of the revenue is ring-fenced, could provide the funding to pay for Government initiatives.

The UK Government has committed to use the estimated £520 million raised by their SSD levy in the first year for PE and sport in schools, as well as children's hospitals.<sup>35</sup> In Ireland, the Department of Finance estimates<sup>36</sup> that a tax resulting in a 10 cent increase on the price of a 330ml can could raise €101.3m, rising to €202.6 for a 20c increase. We are proposing that the tax collected through a 20% SSD tax should be ring-fenced for a Children's Future Health Fund. The Children's Future Health Fund could prioritise supports for children and families with low incomes, including:

- Extending free and nutritious school meals
- Introducing planning regulations to create no fry zones around schools
- Introducing clear labelling on food products so consumers know exactly what they are eating
- Developing Family Food Initiatives to support children and families experiencing food poverty to have access to healthy food and to develop cooking and food growing skills. 30 FFIs could be established at a cost €2.475m over a 5 year programme.<sup>37</sup>
- Ensuring all students get adequate amount of PE
- Ending advertising of HFSS products on TV before 9pm, and online, in schools and in child-friendly locations through legislation and regulation enforced and monitored by government.

## Evaluation

While there is a wide range of evidence to justify the introduction of an SSD tax, it is important that it is evaluated so that it can be refined and adjusted to continually deliver public health gains. We believe that Government should fund a rigorous evaluation of the SSD tax and that this should be conducted and published independently of Government. As with all public health measures designed to have an effect on overall population health, it is necessary that the evaluation runs for a significant period of time so that impact can be properly determined.

The evaluation can facilitate the adjustment and refinement of the system to continually deliver public health improvements. This evaluation strategy should include: examination of the dietary consequences of the tax, including changes in consumption of products subject to the tax and those not subject to the tax; industry practices, including reformulation, product size changes, pricing changes and marketing strategies; public attitudes towards the tax and SSD consumption; and health outcomes such as BMI, impact on inequalities and levels of obesity about population groups.

To maximise the impact of the tax on reducing consumption of SSDs, industry pass-on rates will need to be monitored. The evidence so far is that food-related taxes are typically passed on and often producers 'over-shift' prices so that they exceed the price increase expected from the tax.<sup>38</sup> It is important that any new tax is closely monitored to ensure that tax is passed onto the retail price of the product. It is also important to assess whether industry introduces price increases across their product range (including diet and no sugar drinks), thereby minimising the impact of the tax on consumer purchases.

The evaluation strategy and results should be made publicly available and ideally be peer-reviewed.

### **Addressing industry arguments regarding job losses**

The IHF appreciates that there are concerns in the SSD industry about potential job losses as a result of the SSD tax. However, when discussing fiscal measures designed to reduce consumption of a certain product, industry representatives tend to cite the potential job losses in the particular sector concerned, without accounting for new jobs in other sectors which will develop following the policy change. This industry argument assumes that money currently spent on SSDs would disappear, rather than be spent in other areas of the economy.

In assessing any industry opposition to the tax based on employment it is necessary to consider the available, nationally collected employment numbers. The Central Statistics Office (CSO) shows 852 persons were engaged in 2012 in the 'NACE sector 1107' which covers firms that manufacture beverages such as soft drinks, bottled water, fruit drinks, flavoured milk drinks and cordials.<sup>39,40</sup> This sector includes products not covered under the proposed tax such as flavoured milk drinks, bottled water and diet SSDs. Therefore, this represents an overestimate of those involved in the manufacture of SSDs.

Those beverage companies with diversified ranges, providing alternatives to SSDs, could have an increase in sales of those alternative brands following the introduction of the tax.

Often, industry also ignores the economic activity associated with the revenue generated by a tax. Research on the Irish market<sup>41</sup> indicates that the employment effects of a tax on SSDs and a subsidy on fruit and vegetables are likely to be neutral at worst and maybe even positive, because the fruit and vegetable sector is more labour intensive than the beverage sector.

## **Increasing the effectiveness of the SSD tax - price differential and supportive measures**

### *Price differential*

Evidence from other countries is that these taxes are most effective when there is a price differential at the point of sale between products subject to the tax compared to those that are not. Over time it may be necessary to adjust the tax rates to continue to achieve price differentials between the high and low sugar products.

While it is true that VAT already applies to SSDs, this form of taxation does not address the market failures of SSD consumption as outlined above as VAT is - in the main - a revenue raising measure where most goods are taxed at a standard rate. The need for an additional tax on SSDs is to specifically reduce consumption of these goods, thereby beginning to address market failures.

### *Introduce supportive measures, particularly to address marketing of SSD products to children*

Whilst outside the remit of this consultation we would urge the Government to take action to ensure that children are protected from the marketing and promotion of SSDs and other HFSS products (high in fat, sugar and salt). Such protections should include the extension of the TV marketing regulations to the 9pm watershed and equivalent protections for digital marketing and other non-broadcast media and platforms.

---

### **For further information contact:**

Chris Macey, Head of Advocacy  
Irish Heart Foundation, 50 Ringsend Road, Dublin 4  
[cmacey@irishheart.ie](mailto:cmacey@irishheart.ie) (01) 6685001

---



---

<sup>1</sup> WHO (2016) *Fiscal policies for diet and prevention of noncommunicable diseases - technical meeting report*. Geneva: WHO.

<sup>2</sup> safefood (2012) *The cost of overweight and obesity on the island of Ireland*.

<http://www.safefood.eu/SafeFood/media/SafeFoodLibrary/Documents/Publications/Research%20Reports/Final-Exec-Summary-The-Economic-Cost-of-Obesity.pdf>

<sup>3</sup> Figures released by World Obesity Federation for World Obesity Day 2016. Sources: Obesity prevalence in 2000 and 2013: Ng et al, *Lancet*. 2014;384 (9945):766-81. Population projections: World Bank and UNDP databases. Comorbidity prevalence in obese children: Lobstein T, Jackson-Leach R. *Int J Pediatr Obes*. 2006;1 :33-41. IOTF definitions of overweight and obesity: Cole TJ et al, *BMJ* 2000; 320: 1240. IOTF definitions of overweight and obesity for children equivalent to BMI >25 and BMI >30 in adults, respectively.

<sup>4</sup> Vandevijvere, S. et al. (2015). 'Increased food energy supply as a major driver of the obesity epidemic: a global analysis'. *WHO Bulletin*. 93:446–456.

<sup>5</sup> Brownell, K.D. and Frieden, M.D. (2009) 'Ounces of Prevention – the public policy case for taxes on sugared beverages'. *New England Journal of Medicine*, 360 (18), 1805-1808.

<sup>6</sup> World Health Organization (WHO) (2013) *Marketing of foods high in fat, salt and sugar to children: update 2012-2013*.

<sup>7</sup> WHO (2015) *Guideline: Sugars intake for adults and children*, WHO: Geneva.

<sup>8</sup> Department of Health (2016) 'Healthy Food for Life'. <http://www.healthyireland.ie/wp-content/uploads/2016/12/M9481-Food-Pyramid-Leaflet.pdf>

<sup>9</sup> Market research commissioned by the Irish Heart Foundation and conducted by Ipsos/MRBI found that public support for an SSD tax went from 52% in 2014 to 58% in 2015, with 78% supporting the tax when it was to be used for obesity prevention in children.

<sup>10</sup> Ipsos MRBI poll for the Irish Heart Foundation, September 2015. See

<http://www.irishheart.ie/iopen24/almost-irish-public-support-sugar-sweetened-drinks-n-516.html>

<sup>11</sup> See IHF Pre-Budget submission 2017; 2016; 2015. Sample available at:

[http://www.irishheart.ie/iopen24/prebudget-submissions-2016-t-38\\_1544.html](http://www.irishheart.ie/iopen24/prebudget-submissions-2016-t-38_1544.html)

<sup>12</sup> Department of Health (2016) *Introducing a tax on sugar sweetened drinks - health rationale, options and recommendations - Dept of Health working paper*. <http://health.gov.ie/wp-content/uploads/2016/10/INTRODUCING-A-TAX-ON-SUGAR-SWEETENED-DRINKS-FINA.pdf>

<sup>13</sup> Briggs, A. et al. (2016) 'Health impact assessment of the UK soft drinks industry levy: a comparative risk assessment modelling study'. *The Lancet*, [http://dx.doi.org/10.1016/S2468-2667\(16\)30037-8](http://dx.doi.org/10.1016/S2468-2667(16)30037-8).

<sup>14</sup> WHO (2015) *Guideline: Sugars intake for adults and children*, WHO: Geneva.

<sup>15</sup> Department of Health (2016) 'Healthy Food for Life'. <http://www.healthyireland.ie/wp-content/uploads/2016/12/M9481-Food-Pyramid-Leaflet.pdf>

<sup>16</sup> WHO (2015) *Guideline: Sugars intake for adults and children*, WHO: Geneva.

<sup>17</sup> Irish Universities Nutrition Alliance (IUNA) (2005) *National Children's Food Survey*.

<http://www.iuna.net/?p=27>

<sup>18</sup> Department of Health (2016) 'Healthy Food for Life'. <http://www.healthyireland.ie/wp-content/uploads/2016/12/M9481-Food-Pyramid-Leaflet.pdf>

<sup>19</sup> FSAI Press Release 'Small quantities and local definitions for nutrition labelling introduced'. 15<sup>th</sup> November 2016.

[https://www.fsai.ie/news\\_centre/press\\_releases/nutrition\\_labelling\\_S.I.\\_15112016.html](https://www.fsai.ie/news_centre/press_releases/nutrition_labelling_S.I._15112016.html) and FSAI

'Definition of Small Quantities and Local Retail Supply for Nutrition Labelling Purposes'

[https://www.fsai.ie/uploadedFiles/Nutrition\\_Information\\_Exemption\\_QA.pdf](https://www.fsai.ie/uploadedFiles/Nutrition_Information_Exemption_QA.pdf)

<sup>20</sup> Almost 90% of the carbonates market is controlled by leading companies – Coca-Cola 54.4%, Pepsi-Co 20.1%, Britvic 9.5% and Gleeson Group 5.3%. Unbranded products have only a very small market share. See: Institute of Public Health (2012) *Proposed Sugar-sweetened Drinks Tax: Health Impact Assessment (HIA) Technical Report*. <http://www.publichealth.ie/document/iph-report/proposed-sugar-sweetened-drinks-tax-health-impact-assessment-technical-report>

<sup>21</sup> Detail provided in Department of Health (2016) 'Introducing a tax on sugar sweetened drinks - health rationale, options and recommendations'.

<sup>22</sup> Children's Food Campaign (2016) 'Submission to HM Treasury's consultation on the Soft Drinks Industry Levy'.

- 
- <sup>23</sup> [http://www.safefood.eu/SafeFood/media/SafeFoodLibrary/Documents/Education/Safefood\\_2014-Healthy-Lunchbox-Leaflet\\_2.pdf](http://www.safefood.eu/SafeFood/media/SafeFoodLibrary/Documents/Education/Safefood_2014-Healthy-Lunchbox-Leaflet_2.pdf)
- <sup>24</sup> The Dairymen – a supplement to The Grocer, 17 September 2016, p73, cited in the Children’s Food Campaign’s 2016 submission to HM Treasury consultation on the Soft Drinks Industry Levy.
- <sup>25</sup> Singhal S et al (2016) *A Comparison of the Nutritional Value of Cow’s Milk and Non-dairy Beverages*. J Paediatr Gastroenterol Nutr
- <sup>26</sup> Tax Strategy Group (July 2016) ‘TSG 16/02 General Excises Paper – Tobacco Products Tax, Alcohol Products Tax and Tax on Sugar-Sweetened Drinks’. Department of Finance.
- <sup>27</sup> Brownell, K.D. and Frieden, M.D. (2009) ‘Ounces of Prevention – the public policy case for taxes on sugared beverages’. *New England Journal of Medicine*, 360 (18), 1805-1808.
- <sup>28</sup> Mytton et al. (2012) ‘Taxing unhealthy food and drinks to improve health’. *British Medical Journal*, *BMJ*, 344 doi: <http://dx.doi.org/10.1136/bmj.e2931>
- <sup>29</sup> Ng et al. (2012) ‘Patterns and trends of beverage consumption among children and adults in Great Britain, 1986-2009’. *British Journal of Nutrition*, 108 (3), 536-551.
- <sup>30</sup> Institute of Public Health (2012) *Proposed Sugar-sweetened Drinks Tax: Health Impact Assessment (HIA) Report*. Dublin: Institute of Public Health.
- <sup>31</sup> Estimated by Dr Adam Briggs and presented at Irish Heart Foundation Seminar ‘20% tax on Sugar-sweetened Drinks’, Monday 23rd June 2014, The Gibson Hotel, Dublin 1.
- <sup>32</sup> Ipsos MRBI nationwide poll of 1,008 adults for the Irish Heart Foundation, May 2014. See <http://www.irishheart.ie/iopen24/irish-public-supports-sugary-drink-obesity-rate-n-467.html>
- <sup>33</sup> Ipsos MRBI poll for the Irish Heart Foundation, September 2015. See <http://www.irishheart.ie/iopen24/almost-irish-public-support-sugar-sweetened-drinks-n-516.html>
- <sup>34</sup> Department of Health (2016) ‘Introducing a tax on sugar sweetened drinks - health rationale, options and recommendations’. <http://health.gov.ie/blog/publications/introducing-a-tax-on-sugar-sweetened-drinks-health-rationale-options-and-recommendations/>
- <sup>35</sup> HM Treasury (2016) *Budget 2016: some of the things we've announced* [Press Release], 16 March. Available at: <https://www.gov.uk/government/news/budget-2016-some-of-the-things-weve-announced> (Accessed 22 March 2016); The Rt Hon George Osborne MP (2016) *Oral statement to Parliament Budget 2016* [Speech to UK Parliament], 16 March. Available at: <https://www.gov.uk/government/speeches/budget-2016-george-osbornes-speech> (Accessed 22 March 2016); HM Treasury (2016) *Policy paper – Budget 2016*. Available at: <https://www.gov.uk/government/publications/budget-2016-documents/budget-2016> (Accessed 22 March 2016).
- <sup>36</sup> Tax Strategy Group (July 2016) ‘TSG 16/02 General Excises Paper – Tobacco Products Tax, Alcohol Products Tax and Tax on Sugar-Sweetened Drinks’. Department of Finance.
- <sup>37</sup> Irish Heart Foundation, Children’s Rights Alliance and Healthy Food for All (2015) ‘Family Food Initiatives – tackling obesity and food poverty in children - funding proposal to DCYA to Develop Family Food Initiatives’.
- <sup>38</sup> ECORYS (2014) ‘Food taxes and their impact on competitiveness in the agri-food sector’. [http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item\\_id=7668&tpa=0&tk=&lang=en](http://ec.europa.eu/enterprise/newsroom/cf/itemdetail.cfm?item_id=7668&tpa=0&tk=&lang=en)
- <sup>39</sup> Detail provided in Department of Health (2016) ‘Introducing a tax on sugar sweetened drinks - health rationale, options and recommendations’.
- <sup>40</sup> Data is taken from the CSOs Census of Industrial production which covers enterprises with 3 or more persons engaged. For definitions of products covered in NACE sector 1107 see here: <http://www.cso.ie/px/u/NACECoder/Naceltems/1107.asp>
- <sup>41</sup> Professor David Madden, School of Economics, University College Dublin, Presentation and ‘Food, Fat and Fiscal Measures’ Irish Heart Foundation Seminar, 20<sup>th</sup> March 2013. Presentation available at: [http://www.irishheart.ie/media/pub/foot\\_fat\\_and\\_fiscal\\_measures\\_some\\_observations\\_david\\_madden.pdf](http://www.irishheart.ie/media/pub/foot_fat_and_fiscal_measures_some_observations_david_madden.pdf)