HM Treasury

The soft drinks industry levy

What's the latest on the levy?

- The Chancellor has **confirmed the final levy rates** of 18 pence per litre and 24 pence per litre for the two sugar bands at 5g/100ml and 8g/100ml respectively.
- **The levy is already working.** Since we announced the measure last March several major companies have accelerated their reformulation work to cut sugar ahead of introduction in April 2018. These include Tesco, Lucozade-Ribena-Suntory and AG Barr.
- We now expect more than 40% of all drinks that would otherwise have been in-scope to have been reformulated by the introduction of the levy.
- This means that the forecast revenues for the levy are now, but we will continue to fund schools with the £1 billion we originally expected from the levy this Parliament – including money for schools sports, breakfast clubs and a new Healthy Pupils Capital Fund.
- The SDIL legislation will now be debated in parliament as part of the Finance Bill 2017.

Childhood obesity: what's the scale of the problem?

- **Childhood obesity is a national problem**. The UK currently has one of the highest overall obesity rates amongst developed countries, and in England a third of children are obese or overweight when they leave primary school.
- **Obesity has costs both to individuals and to society**. The evidence shows that 80% of children who are obese in their early teens will go on to become obese adults - with **a greater risk of heart disease, cancers and diabetes.**
- The estimated indirect cost to the UK economy from obesity is **between £27bn and £46bn**, in addition to the direct cost to the **NHS that spends over £6bn a year** on obesity-related treatments.
- Obesity is also one of the major risk factors for **type 2 diabetes**, which accounts for spending of **£8.8bn a year**, almost 9% of the NHS budget. Type 2 diabetes typically develops in adults over the age of 40, but it is now an **increasing problem in children.** There are now over 500 young people aged 5 - 19 with this disease in England and Wales, whereas there were virtually none at the run of the century. Of these young people with diabetes, 95% are overweight or obese.

What's wrong with added sugar in soft drinks?

- Children in the UK are consuming too much sugar. On average, they consume **three times the recommended level**. Sugar-sweetened soft drinks are one of the biggest sources of dietary sugar for children and teenagers and a source of empty calories.
- A single 330ml can of cola can contain **9 teaspoons of sugar**, which is more than a child's daily recommended intake of added sugar, often without any other intrinsic nutritional value.
- Sugar consumption is a key factor in **child tooth decay**, with tooth extractions being the main reason for hospital admissions for children aged 5 – 9 years. Tooth extractions for under 18s cost the NHS £35m per year.
- Public health experts have identified sugar-sweetened beverages as a major factor in the over-consumption of sugar, and **a cause of childhood obesity**. The Chief Medical Officer has said that reducing sugar content and portion sizes is a public health priority. **Over 60 public health organisations** have called for a tax on sugary drinks.

What is the aim of the levy?

- The evidence from salt reformulation shows that **industry behaviour can drive public health outcomes**. But we need the soft drinks industry to act now and move faster.
- The new levy is **a strong lever** for driving producer behavioural change. Producers have **until April 2018** befeore the levy comes in, and they can use this time to reformulate their product mix and reduce the sugar in soft drinks**. Many are already doing this.**
- Producers will pay less if they: (1) reduce the amount of added sugar in soft drinks, (2) reduce portion sizes for sugary drinks, and (3) move consumers towards healthier choices (e.g. through marketing). It's up to them to act. **They don't have to pass the charge onto consumers**.

How will the new levy work?

- It is **aimed at the producers and importers of added sugar soft drinks**, and will only exclude the smallest producers. UK-based importers of big brand drinks made abroad will still need to pay the levy on them.
- Companies will pay a charge based on volumes of **pre-packaged drinks with added sugar** and total sugar content of 5 grams or more per 100 millilitres. The levy charge is 18 pence per litre for drinks in the main band, with a higher charge of 24 pence per litre for drinks that contain 8 grams of sugar or more per 100 millilitres.
- **Dilutable cordials**, **squashes** and **syrups** will be taxed according to their sugar content and volumes after dilution, so that a glass of cordial is taxed as it is intended to be consumed.
- The levy will not apply to **pure fruit juices**, or any other drink with no added sugar, and **milk-based drinks** will be excluded as a source of calcium and other important nutrients.
- The levy will not be charged on alcohol substitute drinks like low strength beers and wines, which are intended to help adults reduce their alcohol consumption.

- The levy is expected to **raise around £385m a year**, but soft drinks companies can pay less tax if they **change their approach** on sugary drinks - they don't have to shift the tax onto consumers.

What is the money going to be spent on?

- In England, we have announced that revenue raised from the levy this parliament will be used to double the primary schools sports premium, deliver additional funding for school breakfast clubs, and be invested in a new Healthy Pupils Capital Fund. The government will set out further detail in due course.
- For Scotland, Wales and Northern Ireland, the Barnett formula will be applied to spending on these new initiatives in the normal way.

Who supports the levy?

- Over **60 public health organisations** called for a tax on sugary drinks, and many publicly welcome the announcement at Budget 2016. Surveys carried out both before and after the announcement show strong **public support** for the levy on sugary drinks.
- Simon Stevens, **Chief Executive of NHS England** said "This bold and welcome action will send a powerful signal and incentivise soft drinks companies to act on the health consequences of their products."
- Dame Sally Davies, **Chief Medical Officer for England** said "The new Soft Drink Industry Levy is great news for the health of our children and builds on the latest evidence."
- Sarah Wollaston, **Chair of the Health Select Committee** said "I was delighted to hear there will now be some action on taxing sugary drinks companies in a way which encourages the companies to reduce the level of sugar in their drinks and which provides a boost to children's sports and school funding."
- Professor Mark Hanson from the **British Heart Foundation** said the levy is, "visionary, because it tackles the problem at source rather than handing on the cost to young people and families."
- Chris Askew, Chief Executive **Diabetes UK** said "It is really promising news that the government has announced a tax on the soft drinks industry. We have been campaigning for this measure as we are all consuming too much sugar."

Why are you targeting soft drinks and not other sugary foods?

- Public health experts have identified sugar-sweetened beverages in particular as a source of empty calories and a cause of childhood obesity. Reducing the added sugar in soft drinks is a public health priority.
- The levy will be supported by a broad sugar reduction programme challenging the wider food and drinks industry to reduce the sugar in products like breakfast cereals and yoghurts by at least 20% by 2020, helping all children and families lead healthier lives. The government will monitor companies' progress against this challenge.

Will you expand the levy or introduce a tax on other foods?

- There are no plans to extend the levy to other foods or drinks, or introduce new equivalent taxes – but the levy is a signal that the government is willing to take bold action to tackle the obesity crisis, and it is supported by our challenge to other parts of the food industry to reduce sugar levels by at least 20% by 2020.

Will the levy be effective?

- The levy is already working to drive reformulation. The Chief Medical Officer has said that product reformulation and reduced portion sizes are the key wins for tackling obesity, and industry needs to step up to this challenge.
- We have designed the soft drinks industry levy to encourage producers to reduce the added sugar in their drinks, help consumers choose lower sugar versions, or reduce portion sizes for high sugar drinks.
- Tesco, AG Barr and Lucozade-Ribena-Suntory amongst others have accelerated their reformulation work in recent months so they can reduce their liability or escape the levy altogether.
- But the levy is not a silver bullet. This is why the government have also launched a broad sugar reduction programme across key categories of food to remove sugar from the products children eat the most.

Will the levy hit poor families, or damage businesses?

- Obesity can ruin people's lives – placing individuals at greater risk of heart attacks, strokes, cancers and diabetes. We all bear the cost. The NHS spends over £6bn a year on treating people who are ill from being obese and overweight, and the UK economy loses £27bn - £46bn every year.
- The levy encourages producers to take reasonable steps to reduce added sugar levels in their drinks. If they do, they won't have to pay the levy. Producers have until April 2018 before the tax comes in to respond.
- But it is up to producers how and when they respond. If they pass the levy on then we expect consumers to react and consume fewer sugary drinks. This will create health benefits too.