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ICBA POSITION STATEMENT ON SUGAR-SWEETENED BEVERAGE TAXES ¹

The International Council of Beverages Associations (ICBA) is committed to working constructively to promote healthy lifestyles and choices in every market where its members operate.² However, a tax on sugar-sweetened beverages is not sound fiscal policy.³ It is discriminatory, regressive and ineffective, and does not provide consumers with the choice, information, and education necessary to make informed decisions that best support a balanced diet and active lifestyle.

A tax on sugar-sweetened beverages does not represent sound fiscal policy.

1. Taxes on sugar-sweetened beverages do not represent sound fiscal policy. They are discriminatory, regressive and will not effectively address the obesity epidemic.⁴ In singling out one particular food product, these taxes ignore the role of all food and beverage calories in the diet.⁵
2. Consumption taxes, such as a tax on sugar-sweetened beverages, are also regressive because they take a greater share of income from lower income families, disproportionately burdening those who can least afford it.⁶
3. A tax on sugar-sweetened beverages is ineffective and will not convey to people the importance of a healthy, active lifestyle or provide them with the tools to change their behavior. Rather, education on the importance of balanced diet and regular physical activity will help people live more active and healthy lifestyles.⁷

A tax on sugar-sweetened beverages will not reduce obesity.

1. Public policy health decisions must be driven by evidence-based science. There is no evidence to support the position that taxation of sugar-sweetened beverages is an effective way to address obesity and change consumer behavior and lifestyles.
2. In general, government statistics show that sugar-sweetened beverages contribute, on average, only a small percent of calories in the diet.⁸
3. Research shows that a 15-cent tax (or 20% increase) on a 75-cent can of soda would reduce the average obese person's Body Mass Index (BMI) from 40.00 to 39.98; an amount not even measurable on a bathroom scale.⁹
4. Research also shows that even a 100% tax on sugar-sweetened beverages would have a very minuscule effect on weight loss.¹⁰

5. Unintended consequences of such taxes on the overall diet and consumer behavior are not clear. This may include substitution of other beverages and foods that undermine the intended public health policy.¹¹
6. Unintended consequences of such taxes also include the impact on jobs and investment, higher administrative costs and cross-border purchases. This is ably demonstrated by the Danish decision, in 2013, to abolish the saturated fat and sugar taxes.¹²
7. Science continually shows that the best way to address obesity and control weight is through balancing the calories consumed from all food sources with the calories burned through physical activity. To lose weight, a person must burn more calories through physical activity than are consumed from all sources in the diet.¹³

ICBA Members are at the forefront of efforts to reduce obesity worldwide by providing a wide range of beverage choices, education initiatives and innovative physical activity and nutrition programs.

1. Obesity is a serious and complex global health challenge that requires a multifaceted and multi-stakeholder approach and engagement to change consumer behavior, diet and lifestyle.
2. The global beverage industry is working with government, industry, the healthcare community and consumers to be part of the solution. This includes support for physical activity and nutrition programs, as well as public health research and partnerships that advance nutrition science, all with the goal of educating and promoting healthy, balanced, and active lifestyles.
3. Among the innovation and leadership efforts undertaken by the global beverage industry are the following:
 - a. Innovation, marketing and promotion of more no and low-calorie beverages: Over 20% of beverages sold in the US and Europe are no and low calorie options.
 - b. The development of ICBA Guidelines on Nutrition Labeling, to aid the global beverage industry in providing nutrition and front-of-pack labeling on products.¹⁴
 - c. The removal of sugar-sweetened beverages from primary schools and a range of options in secondary schools.¹⁵
 - d. No marketing and advertising of non-alcoholic beverages to children under 12 on TV, in print and on-line pursuant to ICBA's Marketing to Children Guidelines.¹⁶
 - e. ICBA members promote physical activity and healthy lifestyles by providing support to programs in neighborhoods, schools and communities around the globe that focus on reducing and preventing obesity.¹⁷

Reference Notes

¹ For the purpose of these guidelines, a sugar-sweetened beverage is defined as a non-alcoholic beverage to which a caloric sweetener is added during the manufacturing process.

² See the following ICBA member's websites for more information:

ABA (United States): <http://www.deliveringchoices.org/#innovation>; ANPRAC (Mexico): http://www.anprac.org.mx/paginas/nuestros_productos.html; ABC (Australia): <http://australianbeverages.org/for-consumers/soft-drinks-in-everyday-life/>; CBA (Canada): <http://www.canadianbeverage.ca/22-health-and-product-safety/21-healthy-philosophy>; JSDA (Japan): <http://j-sda.or.jp/for-consumers/kashikoku.php>; UNESDA (EU): <http://www.unesda.org/variety-and-choice>

³ Roy Bahl, *Why Levy Discriminatory Excises on Soft Drinks?*, Working Paper 98.3 (1998) <http://aysps.gsu.edu/isp/files/ispwp9803.pdf>. "The case for a discriminatory tax on soft drinks is very weak"

⁴ International Monetary Fund, *Tax Law Design and Drafting Vol. 1 at 263* (1996).

"Specific taxes, for example, on...nonalcoholic drinks, and carbonated drinks, should be relegated to the realm of curiosities. If any consideration is given to taxing other products..., it is recommended that the advantages (revenue) be weighed against the disadvantages, such as discrimination, substitution, and administrative costs."

⁵ For simplicity, the term "calories" is used throughout this document. "Kilocalories" and "kilojoules" are alternate terms that are used in many countries around the world.

⁶ See, Healthy Choices, OECD Health Ministerial Meeting, 7-8 October 2010, <http://www.oecd.org/health/ministerial/46098333.pdf>.

"Fiscal measures aimed specifically to change behavior are complex to design and enforce; their impact may be unpredictable as the price elasticity of demand varies across individuals and population groups; they can bear more heavily on low-income groups than on those with higher incomes, and substitution effects are not always obvious."

See generally, Franco Sassi, *Obesity and the Economics of Prevention: Fit not Fat* (OECD Publishing, 2010)

⁷ International Tax & Investment Center (ITIC), *Issues Paper: The Impact of Selective Food and Non-Alcoholic Beverages Taxes* (Feb 2013).

⁸ See, e.g., Presentation by Alanna Moshfegh, Research Leader, Food Survey Research Group, United States Department of Agriculture, *State of the American Diet*, to the 2015 Dietary Guidelines Advisory Committee (June 14, 2013). http://www.health.gov/dietaryguidelines/2015-binder/2015/docs/fedPresentations/stateOfTheAmericanDiet_Moshfegh.pdf

⁹ Richard Williams, Katelyn Christ, *Taxing Sins: Are Excise Taxes Efficient?*, Mercatus on Policy No. 52, at pg 3 (2009). See also Jason M. Fletcher, David E. Frisvold, Nathan Tefft, *The effects of soft drink taxes on child and adolescent consumption and weight outcomes*, Journal of Public Economics 94 (2010).

¹⁰ Jonah B. Gelbach, Jonathan Klick, Thomas Stratmann, *Cheap Donuts and Expensive Broccoli: The Effect of Relative Prices on Obesity*, Social Science Research Network, Working Paper Series (2007).

¹¹ Organizations for Economic Co-operation and Development (OECD), *Obesity Update 2012*. See generally Brian Wansink et. al., *From Coke to Coors: A Field Study of a Sugar-Sweetened Beverage Tax and its Unintended Consequences*. Social Science Research Network online publication (July 2012), http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2079840.

¹² International Tax & Investment Center (ITIC), *Issues Paper: The Impact of Selective Food and Non-Alcoholic Beverages Taxes* (Feb 2013).

¹³ U.S. Centers for Disease Control and Prevention (CDC), Healthy Weight - it's not a diet, it's a lifestyle!, *The Caloric Balance Equation*. <http://www.cdc.gov/healthyweight/calories/index.html#Striking%20a%20Balance>.

¹⁴ ICBA Guidelines on Nutrition Labeling. <http://www.icba-net.org/files/resources/icba-guidelines-nutr-labeling.pdf>.

¹⁵ Both the Coca-Cola Company and PepsiCo have voluntarily implemented global school beverage policies to remove sugar-sweetened beverages from primary schools and provide a range of low calorie options. See PepsiCo, *PepsiCo Global Policy on the Sale of Beverages in Schools*, [http://www.pepsico.com/Download/PepsiCo Global Policy On The Sale Of Beverages To Schools.pdf](http://www.pepsico.com/Download/PepsiCo%20Global%20Policy%20On%20The%20Sale%20Of%20Beverages%20To%20Schools.pdf). See also The Coca-Cola Company, *Global School Beverage Guidelines*, <http://www.cocacola.com/stories/global-school-beverage-guidelines>.

¹⁶ ICBA Marketing to Children Guidelines, <http://www.icba-net.org/files/resources/icba-marketing-to-children-guidelines.pdf>. This commitment applies to all non-alcoholic beverages other than water (mineral, source and purified) fruit juice, and dairy-based beverages,

¹⁷See Press Release, The Coca-Cola Company, *Enjoying an Active, Healthy Lifestyle through Physical Activity and Nutrition* (Jan. 1, 2012), <http://www.coca-colacompany.com/stories/physical-activity>. See also PepsiCo, *Promoting Healthy Lifestyles* (Oct. 17, 2013, 7:00 AM), <http://www.pepsico.com/Purpose/Human-Sustainability/Promoting-Healthy-Lifestyle>.