A DOZEN REASONS WHY SOFT DRINK TAXES FALL FLAT

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SOFT DRINK TAXES DON'T REDUCE OBESITY

Society faces a severe and costly obesity problem, but taxes are not the answer. There is no real-world evidence that taxing soft drinks has ever improved public health. For example, a tax in Mexico resulted in a minimal (and short-lived) calorie decrease of up to 6 calories per day out of a daily diet of more than 3,000 calories – not enough to move the needle on a bathroom scale. And in Berkeley, California, a soft drink tax moved the needle in the wrong direction – it led to a net increase of 26 calories per day as consumers shifted from taxed soft drinks to untaxed higher-calorie beverages such as milkshakes and smoothies. We believe there is a better way.

SOFT DRINK TAXES HIT THE POOR THE HARDEST

Statistics from Great Britain show that such indirect taxes take more than 26% of the disposable income from the poorest fifth of the population, while they only account for 14% for the richest fifth. Further, the poor spend a greater share of their incomes on food and beverages than the rich, which means that taxing foods and beverages burdens those who can least afford it. In Mexico, a study of Kantar panel data found that 64% of the tax collected from a soft drinks tax came from low-socioeconomic status households, with 38% paid by people living below the poverty line.

SOFT DRINK TAXES DISTRACT TIME AND ENERGY FROM MEANINGFUL EFFORTS TO REDUCE OBESITY

Time and money spent on creating new taxes not only fails to improve public health, but it distracts from efforts that do make a difference. According to the McKinsey Global Institute, the most effective ways to combat obesity include reformulating drinks, offering smaller portion sizes and providing better education, all of which our industry is committed to supporting. In South Africa, our industry commitments will double the calorie reduction that the tax may achieve, all without incurring the economic harms associated with a tax. McKinsey found that the idea of taxing soft drinks was based on poor science and was found to be one of the least effective ways to improve health.

SOFT DRINK TAXES ARE NOT A COST-EFFECTIVE "BEST BUY" SOLUTION FOR IMPROVING HEALTH, ACCORDING TO THE WORLD HEALTH ORGANIZATION

In its recent report, "Tackling NCDs," which was endorsed by the World Health Assembly, WHO concluded that taxing soft drinks was not cost-effective enough to rank as a "best buy" health policy recommendations. There are many other interventions which can make a real difference in the obesity challenge; however, soft drink taxes aren't one of them.

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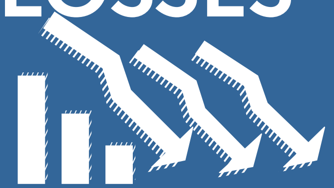
SOFT DRINK **TAXES** *lead to* **JOB LOSSES**



such as

10,000 plus
industry jobs lost
in Mexico

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More than 4,000
jobs projected to be lost
in the UK

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70,000 jobs
could be lost
in South Africa

SOFT DRINKS ARE NOT TO BLAME FOR RISING OBESITY RATES

Around the world, soft drinks usually make up 2 to 3% of calories in the overall diet, and often represent a smaller portion of sugars than desserts and snacks. In many countries sales of full-calorie soft drinks have been declining for years as consumers have moved to other options, including diet and light soft drinks. Yet while the consumption of sugar from soft drinks has been falling, obesity rates have continued to rise.

SOFT DRINK TAXES ARE A LAZY "SOLUTION" TO A COMPLEX PROBLEM:

Leading health authorities such as the WHO have long-recognized that obesity is a complex issue fueled by a variety of factors – environmental, behavioral, social and economic. Going after one type of food and drink is blunt, narrow and misguided, treating everyone the same whether they're overweight or not. No wonder such a policy has never worked in the real world.

SOFT DRINK TAXES ARE UNPOPULAR

In Denmark, a "sin-tax" on food and beverages was so unpopular it was unanimously repealed after 15 months. In Illinois, the soda tax in Cook County, which includes Chicago, fizzled after just two months with 87% of people opposing it and major retailers seeing their sales drop by more than 35% (no wonder elected officials voted almost unanimously to roll back the tax). In response to a proposal to introduce a soft drinks tax in Australia, an elected official said it was a "bonkers mad" idea that would restrict individual freedom and harm local industry.

SOFT DRINK TAXES LEAD TO JOB LOSSES

Taxation does not reduce obesity, but it does reduce jobs. In Mexico, the tax led to more than 10,000 industry job losses and the closure of more than 30,000 "mom & pop" small stores. The upcoming soft drink tax in the UK is projected to cost more than 4,000 jobs. And in South Africa, where the beverage industry is a leading contributor to the economy, a proposed soft drinks tax could lead to 70,000 jobs lost in an economy with official unemployment at more than 27%.

SOFT DRINK TAXES ENCOURAGE CROSS-BORDER SHOPPING

When presented with the option to drive to another district, state or even country to avoid taxes, consumers choose to save money. We've seen this play out around the globe from Philadelphia and Chicago in the United States to Denmark, where lawmakers rolled back an unpopular food tax after just 15 months once they saw consumers readily crossing the border to do their shopping.

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In Mexico, more than 30,000
small stores closed

SOFT DRINK TAXES GO AGAINST WHAT TAX EXPERTS SAY

The authoritative IMF Tax Policy Handbook states that discriminatory excise taxes should be used in very limited situations: taxes on luxury goods, products that clearly damage people's lives, or taxes that spread the tax burden fairly across all socioeconomic groups. None of this really applies to soft drink taxes – soda certainly isn't a luxury, the taxes hit the poor the hardest, and taxing one particular type of beverage out of the total diet doesn't improve anyone's health. Every calorie counts, not only the 2-3% of daily calorie consumption that typically comes from soft drinks.

SOFT DRINKS TAXES CAN CREATE A BLACK MARKET AND REDUCE TAX INCOME

While illicit trade is usually associated with tobacco and alcohol, several countries have struggled with a black market arising in other categories too. In Denmark, the Danish Grocery Association estimated the illicit trade of soft drinks accounted for 7-9% of domestic consumption and an estimated tax revenue loss of €45m annually, as well as policing costs to attempt to eradicate the illegal trade.

TAXES CAN CONTRIBUTE TO REGIONAL DECAY

The soft drinks industry makes a significant contribution to the income of local businesses everywhere, and therefore regional communities close to a border can be affected as shops and outlets are closed due to a lack of local business. This was experienced in southern Denmark due to intensive border shopping and can cause negative knock-on effects such as less local shopping for elderly and a reduction in jobs for young people.