POLICY BRIEF:
TAXING SUGAR-SWEETENED BEVERAGES
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INTRODUCTION

The aim of this brief is to act as a guide for Member States – and, in particular, policy actors from the health sector – that are interested in sugar-sweetened beverage (SSB) taxes. SSB taxes are recommended by WHO as part of a comprehensive set of actions to address diet-related noncommunicable diseases (NCDs) (1). Currently, 10 Member States of the WHO European Region have implemented SSB taxes.

For more detail on experiences with SSB taxation in the Region, see WHO (2).
BUILDING SUPPORT

Identifying and engaging with key stakeholders to build support for SSB taxation is an important early step.

Key stakeholders

Key stakeholders include actors within government, for example, those working in ministries of health and finance, or in other interested ministries (for example, related to social welfare or children), as well as politicians. Supportive stakeholders can also be external to government, including nongovernmental organizations (NGOs), journalists, academics, medical organizations, consumer organizations, and public figures or influencers (for example, chefs). There are also likely to be stakeholders who oppose taxation, and their interests and concerns must also be considered and addressed (see “Countering opposition”).

Identifying shared interests

Effective engagement with stakeholders requires identifying shared interests relevant to SSB taxation. This will involve listening to stakeholders to understand their concerns and priorities and identifying opportunities for strategic and coordinated action by supportive stakeholders.

The health ministry can play an important role in bringing stakeholders together and identifying shared interests relevant to SSB taxation. Stakeholders from the government health sector and NGOs (including consumer organizations) are likely to have shared interests in the health benefits of SSB taxation. This includes health system benefits and cost-savings – both through prevention in reducing the long-term burden on the health-care system and the potential for SSB tax revenue to support health system costs.

Successful adoption and implementation of SSB taxation tends to be characterized by constructive collaboration between health and finance sectors of government. For those working within finance ministries, shared interests may relate to the revenue raised through SSB taxation and to the role of excise taxation in correcting for negative externalities (in terms of health and lost productivity) arising from SSB consumption.

For more on financial considerations, see Thow and Siu (3).

Importance of framing SSB taxation

A broader consideration for gaining support is how SSB taxation is explained or framed in public and political contexts (such as by the media) to make its contribution to health and society clear. For example, research in European countries with SSB taxes found that supportive public framing for taxes focused on the importance of the policy problems that these taxes were designed to address.
both the health problem (obesity, NCDs) and the fiscal problem (need for revenue). Successful public framing also emphasized the effectiveness and cost–effectiveness of SSB taxes as a health intervention and the benefits for vulnerable groups, such as children.

For more information on the predominantly positive media coverage in the United Kingdom, reflecting government evidence and NGO advocacy, see Buckton et al. (4).

### Strategic stakeholder engagement

Stakeholder engagement is characterized by the following.

- **Clear role definition.** Early and constructive engagement between the health and finance ministries can smooth the way for the adoption and implementation of effective taxes. The finance ministry or treasury has the expertise to lead on tax design and administration. The health sector can play a critical role in defining SSBs for taxation to ensure that the tax achieves the health objectives. Establishing a multisectoral working group or expert group can support the engagement of key stakeholders and encourage collaboration across government sectors.

- **Investment of revenue to align with government priorities.** Revenue generated by SSB taxes can also be used to address shared interests that have been identified through consultation; this can be done through either formal or informal earmarking. This may include funding for the health-care system, health workforce or expansion of universal health coverage; social welfare; and health promotion initiatives.

- **Facilitating coordinated action by supportive stakeholders.** This has included the presentation of evidence in consultative forums by NGOs and academics; proactive and coordinated engagement with the media; encouraging the formation of alliances; identifying opportunities for statements by public figures at policy-relevant times (for example, around the budget); and encouraging participation by the public and NGOs in participatory governance (for example, writing letters to key ministers, particularly those relevant to industry).

For more information on the role of political context and stakeholder engagement, see Le Bodo et al. (5).
COUNTERING OPPOSITION

Considering likely opposition and strategies to counter this can improve the likelihood of successful SSB tax adoption and ongoing implementation.

Nature of the opposition to SSB taxes

SSB taxes encounter opposition at all stages of the policy cycle – from opposition during the early stages of consideration (primarily aimed at preventing or weakening new SSB taxes) through to ongoing opposition after implementation (aimed at overturning SSB taxes or challenging their effectiveness). Public voices, government stakeholders and industry actors may all raise concerns and opposition to a SSB tax. However, the experience in many countries has been that the most vocal opposition to taxation comes from industry actors, mainly the SSB industry and associated industries (such as retailers), as well as industry-funded representative groups and think tanks.

In Member States of the WHO European Region with SSB taxes, concerns raised by government stakeholders have focused on potential economic and equity impacts, the fairness of taxation, and coherence with other economic policy.

Similarly, common industry arguments against SSB taxation have primarily focused on potential negative economic impacts, although international evidence shows that in reality these are minimal. Concerns raised include impacts on industry and the economy as a whole (particularly in relation to employment), as well as for consumers, especially the potential for higher impacts on low-income consumers (that is, regressivity).

Industry actors may also raise specific opposition to the (proposed) design of a SSB tax and argue that the tax will be ineffective in or unnecessary for achieving a health objective. Commonly raised concerns relate to the selection of products to be taxed (which SSBs are to be targeted for taxation), as well as the tax base and/or rate. In addition, industry actors may raise concerns about future implementation, including concerns about compliance, collection issues and cross-border shopping.

Opposition from industry actors may be backed up by threats of economic consequence or other action. In European countries, this has previously included threats to withdraw investment, undertake legal action through regional or domestic courts, or withdraw from government partnership-based health initiatives. Direct lobbying and media campaigns are common, reflecting the two main channels through which industry disseminates their arguments to policy actors and the public.

For more information on how framing has been used by industry to oppose SSB taxation, see Campbell et al. (6).
Strategies for overcoming opposition

Proactive public and policy engagement can help to overcome opposition to SSB taxation. In particular, strong positive framing with respect to the expected health benefits can be helpful, alongside emphasizing the severity of the health burden associated with SSB consumption. Many countries have also found that a focus on the benefits of health taxes for enabling healthier choices for children and their parents can foster public support and reduce opposition. Presentation of evidence to support the health benefits of taxation and of robust evidence for potential economic impacts are important parts of this. In particular, the economic impacts tend to be quite small compared to a country’s economy as a whole and are, therefore, less explicitly obvious [see “Marshalling the evidence”].

Being prepared to counter public opposition in the media is another important strategy, which may include, for example, highlighting industry threats to withdraw investment, as well as its support. The formation of an alliance in which multiple voices support SSB taxation can also demonstrate widespread support in countering opposition. It is important to note that opposition to SSB taxes is likely to be ongoing, even after their adoption and implementation. Taxes can be opposed anew following changes of government and new budgets. As such, preparation for the public countering of opposition also needs to be ongoing.

Policy and institutional strategies can also help to reduce opposition through developing complementary or mitigating policies that help to compensate for or reduce perceived negative impacts. For example, these may include strategies to mitigate sector-specific economic and/or employment impacts, health promotion campaigns to support reduced consumption and mitigate regressivity, or social welfare initiatives to benefit the least well-off. A multisectoral working group or expert group can help to build support and reduce opposition through refining the design and implementation of the tax, generating evidence to maintain support for the tax, and identifying appropriate revenue use or any complementary policies required.4

4 Overcoming opposition to SSB taxation is further discussed in an upcoming paper [Lauber et al. in press]
MOVING TOWARDS ACTION

Mapping the evidence and policy context provides a solid base for action.

Marshalling the evidence

Evidence to underpin and secure support for SSB taxation is essential. Key components of evidence to support SSB taxation include:

- the relationship between SSB consumption and poor health outcomes, for example, global data from meta-analyses;
- the health burden of associated conditions, including national statistics on obesity, NCDs and dental caries for the population as a whole and for key population subgroups;
- the potential health impact of SSB taxation, including economic modelling of effectiveness and cost–effectiveness as well as a health impact assessment; and
- the potential economic benefits of SSB taxation, including health systems savings and revenue raised.

It is critical to consider and assess the source of funding for producing evidence on SSB taxation and its impacts. Coordinating with external stakeholders to encourage the generation of independent evidence from NGOs and academics can also be beneficial.

Evidence in the form of experiences or lessons from other countries seeking to adopt and implement SSB taxation can also be valuable in moving towards action. This includes evidence of the health and economic impacts of SSB taxes in other countries. It also includes learning from their successes (as well as failures) regarding effective strategies to get SSB taxes on the agenda and on tax design and implementation.

For more information on the evidence and country experiences globally with SSB taxation, see World Bank (7).

Mapping the relevant policy context

SSB taxation is implemented in the context of the existing national tax framework and of relevant regional and global agreements; therefore, SSB taxes should be designed to achieve whole-of-government policy objectives. Examining existing taxes on alcohol and tobacco may help to identify contextually appropriate tax policy instruments at national level. It may also help to indicate what strategies have worked or been less successful in garnering support for health taxes.

Mapping and understanding the tax implications of regional and global trade and economic agreements can also inform SSB tax design in order to ensure compliance. In particular, non-discrimination is an important principle (that is, a tax being applied consistently, regardless of the origin of a product).
This can be supported by clear health evidence regarding the appropriate products to be taxed, which provides a transparent basis for taxation that is linked to health concerns.

Engagement with industry during the policy process should be carefully considered in order to manage conflicts of interest. One strategy is to define areas for industry consultation in a transparent manner, with a focus on areas of industry expertise relevant to implementation, such as how to encourage reformulation and/or tax compliance. Transparency can be promoted through requiring formal declarations of conflicts of interest prior to meetings and through publishing minutes of meetings.
CONSIDERATIONS REGARDING TAX DESIGN

The design of taxation is a competence of the finance ministry; however, the health ministry can play a key role in supporting good SSB tax design. SSB taxes that have been implemented in the WHO European Region have used a variety of approaches and been applied to different products. The health ministry can support SSB tax design by considering four key questions.

What is the purpose of the SSB tax?  
SSB taxes have proximal health objectives – such as encouraging reformulation or discouraging consumption – as well as more distal objectives – such as preventing obesity, NCDs or dental caries. Defining a clear proximal objective with measurable outcomes can make the SSB tax easier to monitor and evaluate. It can also help to defend the tax against opposition. Distal objectives are usually also affected by other factors and, therefore, are harder to influence successfully through a single intervention. Clear objectives also support monitoring and evaluation (see “What should be considered in monitoring and evaluation?”).

What products should the tax apply to?  
Defining what constitutes SSBs for the purpose of taxation will be influenced by categories used for tax and trade administration, as well as for health considerations. The WHO guideline on sugars intake for adults and children is useful in defining SSBs from a health perspective \(^8\). In general, SSB taxes apply to non-alcoholic beverages containing sugar and to syrups and other substances intended for the preparation of SSBs. However, countries vary regarding whether they include sweetened milk products (and milk substitutes such as nut milks, oat milk and soy milk), juices and beverages containing sweeteners other than sugar. An important consideration in defining SSBs is the potential for substitution and to design the tax to support substitution to healthier products.

What should be considered in the tax design?  
The purpose of the tax will influence the design. For example, a flat rate tax may be more effective at reducing consumption, whereas a tiered tax can encourage reformulation. Most countries use volumetric excise tax (applied based on the volume rather than price), which can reduce the price differential and, therefore, reduce substitution with cheaper brands of SSBs.

Implementation considerations should also inform the tax design. For example, if there is potential for cross-border shopping, then the tax rates applied by countries across the border might inform
the tax rate. It may also be possible to minimize the administrative burden for small and medium-sized enterprises through the tax design and the products included. Finally, an adjustment or implementation period may need to be factored in to allow time for reformulation.

What should be considered in monitoring and evaluation?

Identifying indicators for monitoring and evaluation can support robust tax design through encouraging reflection on the objectives and desired impacts. Early and consistent monitoring of impacts can also help to counter opposition to the tax post-implementation. Key points to consider are:

- prices (who the cost/price rise of the tax is passed on to)
- consumer purchasing changes, including cross-border shopping
- revenue impacts
- sugar levels in SSBs/reformulation
- employment and industry impact – both sector-specific and for the economy as a whole
- differential impacts (socioeconomic, gender, children etc.).

For more information on designing a health evaluation of SSB taxes, see Ng et al. [9].
REFERENCES


The WHO Regional Office for Europe

The World Health Organization (WHO) is a specialized agency of the United Nations created in 1948 with the primary responsibility for international health matters and public health. The WHO Regional Office for Europe is one of six regional offices throughout the world, each with its own programme geared to the particular health conditions of the countries it serves.

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