

## Sugar-sweetened beverage taxes: a triple win

Sugar-sweetened beverages (SSBs) are a major driver of obesity, diabetes and other noncommunicable diseases. SSBs provide calories without protein, fiber, vitamins or minerals, and aggressive marketing drives consumption, especially among youth. SSB taxes are a proven, cost-effective tool to save lives, reduce health care costs and raise revenue.

### What works

- **A 20% price increase reduces SSB consumption by 16-32%**, with the strongest effects in lower-income countries and groups. Evidence suggests that SSB taxes reduce childhood obesity.
- Specific excise taxes outperform *ad valorem* taxes — that is, a tax per ounce of product or gram of sugar rather than a percentage of price. Specific taxes increase the price of all taxed products uniformly, are harder to manipulate, easier to administer and provide more predictable revenues. Annual inflation adjustment is essential.
- **Taxes based on sugar content** (such as done in South Africa and the United Kingdom) may encourage reformulation. **Taxes based on volume** may be simpler to administer and more effective at generating revenue.
- Tax stamps reduce tax evasion and improve compliance and revenue collection. To be effective, tax stamps must be secure, independently administered and not influenced by or affiliated in any way with the regulated industry.
- Earmarking revenue for health can boost public support and health benefits.

### Health, revenue and equity

- SSB taxes reduce purchases and sugar intake, improve health and drive reformulation.
- **South Africa's tax reduced sugar intake from beverages by 31% in the first year.** The largest reductions were seen among lower-income groups and heavy consumers. Revenue exceeded forecasts at ZAR 2.4 billion (\$174 million) in year one (2018/19).
- **Mexico's peso-per-liter tax reduced SSB purchases by 37% over two years**, with greater reductions in low-income and high-consuming households.
- **Portugal's tiered tax reduced sugary drink sales by 7% and raised €80 million in the first year** — all reinvested in the national health service.

### Opportunity

More than 100 countries tax SSBs. Although many apply excise taxes, **most are not designed — or set at levels — sufficient to reduce consumption, improve health or maximize revenue.** Introducing well-designed SSB taxes, supported by tax stamps for compliance, can improve health, strengthen public finances and reduce health care costs.

## Sources

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