The advent of the sugar tax across the globe, in recent years, has brought on public awareness to a burgeoning obesity epidemic. Countries such as Mexico, South Africa and The United Kingdom (UK) have implemented this sugar levy to curb obesity and other non-communicable diseases (NCDs); conditions that are linked with excessive sugar consumption. In this article, I discuss the viabilities, limitations and economic repercussions of imposing a sugar tax in Australia. These conclusions will be predicated off studies conducted in countries with the sugar tax.

First, let us address the purpose of implementing a sugar tax. A high sugar intake has been linked to NCDs such as obesity, type II diabetes, glaucoma and nerve damage (Du et al. 2018, p.186). By drinking one sugar sweetened beverage (SSB) per day, an adult’s risk of being overweight increases by 27 per cent, of a child it increases by 55 per cent and of developing type II diabetes it increased by 26 per cent (Du et al. 2018, p.186). What is more is that around 52 per cent of Australians are consuming over the recommended 50 grams of ‘free sugar’ — added sugar in foods and liquid sugar in beverages — per day (Australia and New Zealand Ministerial Forum on Food Regulation 2017). More concerning, however, is the younger generations, who, were recorded to have the highest sugar consumption. This foreshadows an even larger obesity problem if combative action is not taken against our current obesogenic environments of sedentary living and high caloric intake of “nutrient-poor, processed, energy dense foods” (Du et al. 2018, p.186).

In 2017 to 2019, 31 per cent of Australians were classified as obese and six per cent of Australians were diagnosed with type II diabetes in 2014 to 2015 (Australian Institute of Health and Welfare 2019). Although there is action to reduce Australia’s sugar consumption such as The Australian Beverages Council’s 2020 plan to cut SSB sugar content by ten per cent and a further ten per cent in 2025 (Koziol & Hatch 2018), more effective action needs to be taken about this sugar problem. This is action such as politicians and policy makers enforcing regulations on big food and beverage companies. Therefore, the objective for a sugar levy is to combat Australia’s obesity epidemic in the long run by cutting sugar intake.

Around the globe, different types of sugar taxes have been introduced. For example, in Mexico, they implemented a ten per cent levy on SSBs (Rivera 2016) and an eight per cent tax on non-essential energy dense foods in 2013. Similarly, Chile has an 18 per cent SSB tax and has reduced tax rates for non-SSB products by ten per cent (Caro et al. 2018). In the UK, through a two-tiered system, since 2018 they impose a fee of 18 pence per litre for beverages with less than eight grams per 100mL and a fee 24 pence per litre for SSBs exceeding eight grams per 100mL.
(Briggs et al. 2016, p.16). In most cases, SSBs have been identified to have high ‘free sugar’ content and therefore have been tax-targeted. These systems work well, however, from the literature the two-tiered system seems to be more favourable along with the tax reduction of non-SSBs. The reason for this is because it recognises the heterogeneity of consumers (Lloyd & MacLaren 2019), distinguishes between the low from the high risk SSBs to deter consumers from purchasing the higher risk SSB and incentivises non-SSB consumption.

To address whether a sugar levy will decrease obesity rates, overall the literature says that the sales of items under the levy decrease during a post-tax period. Since, obesity is a condition developed over a long period of time and the literature surrounding the sugar tax has only been available for less than a decade, there is little evidence to suggest a direct causation of a sugar tax and a decreasing obesity rate. We can, however, infer that a decrease in high-sugar product sales means that people are likely to consume less sugar in their diet and, thus, are at less risk of being obese or having type II diabetes. Therefore, in the following examples, taxed product sales will act as a proxy for obesity rates.

Studies show that a sugar levy is associated with a reduced demand of sugary products. To provide some quantitative data, the first year of the sugar tax in Mexico, taxed SSB sales decreased by 12 per cent (Rivera 2016; Du et al. 2018, p.186) with untaxed non-SSB sales increasing by 2.1 per cent (Tamir et al. 2018, p.7). In Berkeley, California, taxed SSB sales decreased by 9.6 per cent, and non-SSB demand, such as bottled water and milk, increased by 3.5 per cent. Over in France, the sugar levy saw a 6.7 per cent decline of Coca-Cola demand in the first two years of a levy implementation (Tamir et al. 2018, p.7).

The literature has also shown that the greater the tax, the greater the reduction in taxed-goods consumption (Escobar et al. 2013, p.6). It has also indicated that a levy is only effective to deter SSB consumption in the long-term if the taxes are significant (Caro et al. 2018, p.16; Escobar et al. 2013, p.6). In other words, the tax is ineffective if it were between 20 to 40 per cent (Finkelstein et al. 2018), a study from Duke-National University of Singapore shows. This is especially true when compared with “tax rates of 211 per cent, 117 per cent and 145 per cent imposed on spirits, beer, and cigarettes, respectively” (Lloyd & MacLaren 2019), a levy of, for example, 2.1 cents per gram of sugar, in South Africa, or of 18 per cent, in Chile, is unlikely to have a sizeable social impact.

Regarding the limitation to a sugar tax, to create long term change in public consumer behaviours, other actions besides the tax should work in concert to reduce our obesity epidemic. This movement should follow a socioecological model approach where the dynamic interrelations between an individual’s intermediate and broader environment are targeted. This is to create high resistance environments to high-SBS consumption and promote healthier eating nationwide. Recent studies have found that a public awareness campaign to decrease sugar intake, accelerated decreasing SSB purchases (Du et al. 2018, p.185; Buckton et al. 2018, pp.11-12). This
is parallel to the case of tobacco taxation where the reduction of tobacco consumption in Australia was driven by a combination of strategies such as smoking bans, marketing limits, hiked prices (Tamir et al. 2018, p.8) and state government advocacy campaigns such as The Quit Campaign. To provide examples of situations where a lack of advocacy has led to a minimal social change; in Chile, their sugar tax was barely covered on by the media because the nation was amid major fiscal reforms and thus saw menial reductions in SSB consumption (Caro et al. 2018, p.14). As a result, the levy was ineffective in achieving its purpose both in the short and long term. Likewise, in 2008, New York, due to a lack of health education and advocacy to change the public’s attitude to the dangers of SSBs, an 18 per cent SSB state tax was quickly revoked due to backlash from the public and the food industry (Klonoff 2009, p.409). Therefore, to make a sugar levy effective, SSB warning labels or more information on sugar content could be added on taxed products (Du et al. 2018, p.188; Lloyd & MacLaren 2016) and public awareness of high-SBS consumption consequences should be advocated for. This has been proven effective. Other options include public education and limiting advertising of SSBs in markets, in the media and on television (Colchero et al. 2016) to create low resistance environments to low-sugar consumption and health eating.

Now addressing the economic repercussions of the sugar tax. Firstly, there has been speculation that the levy will disproportionately affect the lower income households as taxed products occupy a larger proportion of their income. Evidence to support this, however, is inconclusive. This is because, on one hand, in Mexico, households with lower income were reported to decrease spending on SSBs by 17.4% post-tax (Du et al. 2018, p.186; Tamir et al. 2018; Colchero et al. 2016). On the other hand, there is also evidence that high income households showed larger declines of SSB purchases than their low income counterparts (Caro et al. 2018; Lloyd & MacLaren 2016). Nevertheless of the economic impact, in the long term, the decline of SSB purchases will save medical and health costs that presently cost Australians six billion dollars per year (Baker IDI 2012, p.4). Plus, the households that will benefit most from the tax are the lower income households who have a higher incidence of diet-related poor health and therefore could benefit from reducing SSB intake (Lloyd & MacLaren 2016).

Secondly, there has been concern about increasing unemployment rates in the food and beverage industry if a nation-wide sugar tax were to be implemented. Studies conducted in Fiji, Samoa, Nauru and French Polynesia found that employment was unaffected (Tamir et al. 2018, p.8). A limitation to these studies are that these results could also be inapplicable to larger nations such as Australia. This is because, for example, a decrease of 10% of SSB sales in a populous country is different from the same reduction in an island, and therefore profit losses of a company are more noticeable in larger countries and employment is more likely to be affected.

In conclusion, the sugar tax is the right step forward to a non-obese Australia. This is provided that the tax is concerted with public education, advocacy and government support. In terms of its long
term effects in achieving its objectives and economic repercussions, evidence is still inconclusive because the sugar tax is in its infancy.

References


