Cancer Research UK’s response to HM Treasury and HM Revenue and Customs’ Consultation on the Soft Drinks Industry Levy

1. Are you a) a business b) an organisation c) an individual?

1. B, an organisation. Cancer Research UK is the world’s leading cancer charity dedicated to saving lives through research. Every year around 300,000 people are diagnosed with cancer in the UK and more than 150,000 people die from cancer. The charity’s pioneering work has been at the heart of the progress that has already seen survival rates in the UK double in the last forty years. As the largest fundraising charity in the UK, we support research into all aspects of cancer through the work of over 4,000 scientists, doctors and nurses. In 2015/16, we spent £404 million on research. We receive no funding from the Government for our research, and of every £1 donated, 80p was available for investment in our core purpose.

2. More than four in ten cases of cancer in the UK are preventable. Obesity is the single biggest preventable cause of cancer after smoking. Obesity is linked to thirteen different types of cancer, including two of the most common – bowel and breast – and two of the hardest to treat – pancreatic and oesophageal. Our research shows that if current trends continue, obesity could cause 670,000 cases of cancer over the next 20 years.

3. Excessive consumption of sugars is recognised as a leading source of extra calories and thus a cause of obesity, with a direct correlation that a direct association between SSB consumption and weight gain, overweight and obesity among children and adults. Obese children are five times more likely to become obese adults, placing them at risk of preventable cancers. One of our priorities is to significantly reduce the number of children who are overweight or obese, which can help be achieved by reducing sugar consumption in the UK.

Cancer Research UK’s position on the Soft Drinks Industry Levy

4. Cancer Research UK welcomes an effective Soft Drinks Industry Levy (hereafter ‘the levy’) from Government to help children and adults cut down on their sugar intake from sugar-sweetened beverages (SSBs). We believe the levy is a particularly important and evidence-based step towards tackling children’s obesity. We commend HM Treasury and HM Revenue and Custom’s leadership to address the severity of obesity and recognition of fiscal measures as an effective way to address the obesity epidemic. We also agree with your assessment that obesity can ruin lives.

5. We view the levy as an important springboard for effective obesity policy interventions to help people stack the odds of not getting cancer in their favour. The evidence base is crystal clear that an effective levy can help to reduce purchase and consumption behaviours of sugar-sweetened beverages, and reduce calorie intake. In their review of the evidence on sugar reduction, Public Health England note ‘it is likely that price increases on specific high sugar products like sugar sweetened drinks, such as through fiscal measures like a tax or levy, if set high enough, would reduce purchasing at least in the short term’. As well as improving population health, international research has also demonstrated that a levy on sugar-sweetened beverages could be a vital source of public revenue as well as delivering health benefits, including alleviating preventable costs to health care services and averting health-adjusted life years.

6. The measure is also popular amongst the public. Polling from March 2016 has demonstrated that 69% of Brits support the Soft Drinks Industry Levy. Also in March, polling published in the Grocer found 56% of Brits support the levy, with respondents in this poll indicated a 50% price increase from current retail price was the most popular change, with support for this highest among 16-24 year olds.
7. We support the overall design of the levy as a mechanism to encourage product reformulation. To ensure the Treasury are able to fully re-coup £520m for investment in dietary and physical activity promotion in children, achieve world-leading results that mitigate the future rising economic and health burden of obesity, and generate further revenues for effective interventions, we make a series of recommendations to make the levy even more impactful than it currently is. Our proposals to do this are:
   a. Increasing the taxation level of the upper levy band, to ensure the levy bands are proportionate with sugar content. For this reason we suggest the price of the upper band should increase from 24p to a minimum of 29p per litre.
   b. Ensuring the levy bands are increased in line with inflation.
   c. Reflecting the small but growing role of milk-based drinks as products containing high levels of free sugar, by changing the threshold for milk products from 75% milk to be consistent with School Food Standards Guidance so milk-based drinks are treated equally to ‘combination drinks’, with those containing more than 5% sugar included within the levy.
   d. Ensuring that large corporations do not gain benefit through exemptions for small operators, to maximise compliance and ensure the levy is not undermined.
   e. A comprehensive, robust and independent evaluation of the levy, to ensure compliance with the levy is maintained. This should learn from failings in the evaluation of the Department of Health’s interim evaluation of the alcohol industry’s pledge to remove one billion units of alcohol from the market.  

8. Evidence suggests that soft drinks are likely to be among the most price elastic products within the food and drink category, so if the mechanisms of the levy are defined effectively, additional benefits can be driven through the reduced consumption of SSBs. A study for the EU Commission’s DG Enterprise and Industry finds that food taxes generally achieve a reduction in the consumption of the taxed product, and can also encourage manufacturers to reduce levels of specific nutrients such as sugar or fat in the tax product.

Clarity over misinformation about the Soft Drinks Industry Levy

9. We note certain arguments made by industry actors that may seek to undermine the introduction of this measure. It has been inferred that a levy will deliver no benefit as it leads to a small reduction in overall calorie intake. However, economic modelling research conducted by Cancer Research UK and the UK Health Forum demonstrates that even small reductions in calorie intake from sugar-sweetened beverages has a large and almost immediate impact at a population level: preventing 3.7 million people being obese by the year 2025 and avoiding £10m in health and social care costs in the year 2025 alone, compared with no implementation of the levy. This impact is great because small individual caloric reductions translate into big reductions in weight at the population level, and consistent reductions in calories consumed can lead to significant weight loss over a 10 year period. Additional cross-sectional economic modelling has estimated a levy could reduce the number of obese adults in the UK by around 1.3%, with greatest benefit among young people and within the first two years of implementation.

10. Modelling evidence of the impact of a sugary sweetened beverage duty is backed up by real-world examples in international evidence. Evidence from Fiji, Samoa, Nauru and French Polynesia demonstrates the impact of a levy on increased revenue collection, and relative reduction of soft drinks substitutes such as bottled water – though also noting the dangers of an insufficiently high tax where consumers fail to pass the cost on the consumer, undermining the mechanism of a levy. Real world evidence from Mexico shows that following one year of a 0.04p per litre tax, purchases of sugary drinks fell by 12% at the end of the first year and 17% among the most deprived communities, with an uplift in consumption of untaxed alternatives such as milk and water. Research into the price elasticity of demand for sugar-sweetened beverages in Mexico also estimated higher elasticities among low income groups, demonstrating the disproportionate impact on reduced purchasing among these groups. France, Denmark, Finland and Hungary have all enacted a tax on SSBs, which a review
found has resulted in a price rise of 3-10% and a decline in consumption of 4-10% in the four EU countries.24 Similarly, research from Berkeley, California is demonstrating the effective nature of taxation on reducing consumption on sugar-sweetened beverages.25 26

11. The hybrid tax model successfully used in Hungary is similar to the proposed soft drinks industry levy. In both of the first two years following the introduction of public health taxes, Hungary saw reductions in demand of over 6%, meanwhile 40% of manufacturers changed their recipe, 30% of them completely removed the targeted ingredient and 70% of them reduced the amount of the targeted ingredient.27 Following the introduction of a tax on SSBs in Hungary, a World Health Organisation report found that where consumption reduced, the increase in price was a more significant factor than awareness of the negative health impacts.28 Beyond the direct impact of price increases, the measure also led to improvements in nutrition literacy. Importantly, this report concluded that ‘a fiscal instrument can effectively improve the nutrition behaviour of the population’, and ensuring the continuing effectiveness of a tax relies on the continuous refinement of the measure to ensure compliance and removing loopholes.

12. In another misleading argument, an economic report published by Oxford Economics and produced for the British Soft Drinks Association expresses concerns over the economic cost of the levy.29 We note a comprehensive critique of this report acknowledging wide-ranging limitations in its methodology.30 These critiques include that it inferred that sugar levels in soft drinks would remain consistent rather than including reformulation, ignores the benefits of introducing a tax on behaviour change, and fails to capture the disproportionate benefit of a tax on calorie reduction in children. All of these variables could improve the effectiveness of a levy, which are underplayed in the report. We encourage HM Treasury and HM Revenue and Customs to focus on peer reviewed evidence that follows established best practise methodology.

13. When making assertions on the economic impact of the levy, the Oxford Economics report also ignores the benefits to other industries when calculating supposed impacts on soft drinks, including the benefits to the dairy industry from increased consumption of milk. International research assessing the employment impact of sugar-sweetened beverage taxes has found the measure did not have a negative impact on state-level employment, with any declines offset by new employment in non-beverage industry and government sectors, as well as claims of job losses being overstated and potentially misleading.31 This research also notes a trend of employment in the beverage industry falling in the United States despite increased soft drink industry revenue, in part attributed to less labour intensive activities.

5. A) Do respondents agree that a definition of ‘added sugars’ as set out in the consultation is sufficient to capture the types of sugar commonly added to soft drinks?

14. Yes. We believe that for the purposes of the levy a definition of added sugar should be based on the definition of ‘free sugars’ used by the Scientific Advisory Group on Nutrition and World Health Organisation to the extent to which it is possible. In this case added sugars are defined as all monosaccharides and disaccharides excluding lactose and products which contain sugar naturally such as honey or syrups. The definition set out in the consultation using the Specified Sugar Products (England) Regulations 2003, the Honey (England) Regulations 2015, including glucose syrups and incorporating any other sugar ingredients added to sweeten including but not limited to maltose, brown sugar or can molasses, maple syrup or lactose is therefore sufficient to capture the types of sugar commonly added to soft drinks.

15. The Scientific Advisory Group on Nutrition (SACN) and World Health Organisation (WHO) have recommended ‘free sugars’ should not make up more than 5% of daily energy intake for adults and children over the age of 2.3233 Based on this definition, every age group in the UK exceeds the maximum recommended intake from free sugars of 5%, and children consumer at least double more sugar than the new maximum guidelines. 34 For 11-18
year olds sugary drinks are their biggest source of free sugars, making up 26% of their total intake. Although households with children purchase around 50% more of their added sugar from carbonated and non-carbonated soft drinks compared to households without children (25% and 17% of total processed added sugar respectively).35.

5. B) If the above definition would be insufficient or could be improved, can respondents propose a suitable definition of sugar contained in UK regulations or guidance, or regulations / guidance from other jurisdictions, which would be suitable for the intentions of the soft drinks levy?

16. The definition contained within the soft drinks levy is suitable for the intentions of the levy. Changes to this definition could lead to inconsistencies which may inhibit the overall effectiveness of the levy.

5. C) Do respondents agree that the Fruit Juices and Fruit Nectars (England) Regulations 2013 provide a reasonable reference point for legislation which achieves the aim of keeping pure fruit products outside of the scope of the definition of added sugars?

17. Yes. Fruit juices as defined in the Fruit Juices and Fruit Nectars (England) Regulations 2013 should be exempted from the levy as currently proposed in order to keep pure fruit products outside of the scope of the definition of added sugars. Fruit juices are recognised as part of a healthy diet through the Eatwell Plate and could contribute to a person’s fruit and vegetable consumption.36 37

18. To prevent the excessive intake of sugar from fruit juices, we support recommendations made by Public Health England (PHE) that people should not consume more than 150ml from fruit juice per day, due to the high levels of naturally occurring sugar found within them. The Scientific Advisory Committee on Nutrition report founds that mean consumption of fruit juice was highest in children aged 4-10 at 93g/day, at those aged 11-18 at 83g/day.38 The impact of the levy on fruit juice consumption should be closely monitored to ensure that high consumption of added sugars are not replaced by consumers exceeding the fruit juice guidelines. To ensure adherence with the levy, it is vital that PHE are promoting this guidance. If it is found that fruit juices are becoming an increasing part of a child’s intake of non-milk extrinsic sugars, going beyond the maximum consumption recommendations, then integrating these products into the soft drinks industry levy should be considered.

19. As opposed to fruit juice, we suggest fruit nectars are subject to the levy. The final product of a fruit nectar is achieved by adding water to a fruit juice, as defined in Schedules 2 to 6 of the Fruit Juices and Fruit Nectars (England) Regulations 2013, and contains added sugar and honey. Although the market share of these in the UK is small, fruit nectars can contain up to 20% added sugar, the presence of which may entail the product to be liable to the levy if the total sugars exceeded 5g/100ml once diluted. In order to ensure the soft drinks industry levy is introduced consistency and effectively, these products should be included.

6. Would requiring liable producers and importers to pay the levy on cordials and dilutables at diluted volumes present reporting or compliance problems for particular businesses? If so, please provide evidence and suggest any alternative approaches.

20. We agree with the proposal in the consultation that cordial and dilutable products, and similar concentrated forms of soft drink with added sugar should be taxed according to their sugar content and volume after dilution.

21. Such dilutables hold the second largest soft drink share of overall soft drink consumption in the UK, and as a result are contributing to the problem of high sugar intakes.39 It is important that the consumption of
concentrated and dilutable drinks is closely monitored to ensure consumers do not compensate for the reduction in sugar by simply increasing the volume of concentrate. There is marked fluctuation in dilution ratio between different brands, varying from 1 part cordial to 4 parts water (1:4), to 1 part cordial to 10 parts water (1:10), with a common dilution ratio of 1:4 to 1:7 for cordials and dilutables. This means that consumers may consume more sugar than they intend to, and lessen the impact of the levy, if consumers under-dilute cordials to the recommended level. We foresee two opportunities for the Treasury to address this:

a. Re-evaluate the levy bands applied to cordials if evidence demonstrates that they are being under-diluted
b. Push for better standardisation of dilution ratios to promote compliance among consumers
c. Undertake research to understand how dilution rates are used in practise in home and out-of-home settings compared to manufacturer recommendations

7. Respondents are invited to submit views on the treatment of liquid drinks flavourings as regards to the soft drinks industry levy.

22. We believe that these liquid drinks flavourings should be included within the scope of the levy. We are in agreement with the consultation that this must be done by taxing them at separate thresholds and rates that are proportionate to those for soft drinks.

23. While not integral to many drinks, pre-packaged sugar syrups and liquid drink flavourings still represent a considerable addition of sugar to a hot drink. A 10ml shot of a high-street coffee chain vanilla syrup, available for purchase in major retailers, contains 8g of sugar. Of more concern, liquid drinks flavourings often have no clear dilution ratio which can make it less apparent for consumers to establish a standard serving, and lead to very high consumption of sugar from such products. Regular consumption, such as a shot of syrup in a daily coffee, could contribute towards increased caloric intake and obesity.

24. Including liquid drinks flavourings would also improve the overall effectiveness of the levy. Evidence suggests that the benefits from a levy could be heightened if the tax base is broadly defined, offering more opportunity for revenue collection to target towards appropriate interventions to address the obesity epidemic.

8. Do respondents agree that a minimum proportion of 75% milk is necessary to ensure that only nutrient-rich milk drinks are exempt from the levy? If not, what alternative test or treatment would you propose and why?

25. We support the principle that milk should be excluded on the principle that it has some nutritional benefits. However, milk-based drinks also contain a large amount of sugar. As a result an effective definition is necessary to that only those which have clear nutritional benefits are excluded. We believe the current 75% threshold is not based on current health guidance, could create inconsistencies about how the levy is introduced between products, lose revenue for the Treasury and permit high-sugar products to be exempt from the levy. While we acknowledge the intention to exclude milk based drinks which have nutritional value, this definition does not appear to be based on any nutritional guidance we are aware of.

26. We believe that as far as possible definition for the levy should be based on nutritional guidelines. Therefore, we encourage the Treasury to ensure consistency with School Food Standards guidance, which is currently mandatory in all maintained schools, new academies and free schools, by excluding products that meet the standards set for ‘combination drinks’. This can also ensure that such nutrient-rich and low-sugar milk drinks are exempted but that milk-based drinks are rightly included as high sources of sugar in the levy.

27. Milk-based drinks can contain comparable levels of sugar to sugar-sweetened beverages. The consumption of milk-based drinks and sugar-sweetened beverages has been associated with increased energy intake in the UK’s
National Diet and Nutrition Survey. There is also a clear disparity between current guidance recommending no more than 300g of milk consumption per day as a way to consume calcium, and milk-based drinks that are regularly sold in volumes over 400g.

28. We note that milk drinks are a growing area of the market. Flavoured milk sales grew by 6% in 2015 to £282.9m, with volumes of product sold also increasing, with the flavoured milk market forecast to achieve sales of £347m by 2019. With reformulation vital among these groups to protect children from high sugar consumption, and the consequential health and economic impacts across the life-course on morbidity and mortality, it is important that these products are addressed in the soft drinks industry levy. Doing so will not only deliver health benefits by reducing purchase of these products, but also amplifies opportunities for revenue collection to invest in the health of the UK.

10. Do respondents agree with the proposed treatment of candy sprays, ice lollies, and dissolvable powders?

29. We welcome the Government’s intention to keep dissolvable powders under review. Equally, attempts from producers of sugar-sweetened beverages to circumvent the levy through ice lollies, candy sprays or dissolvable powders should be closely monitored, and addressed within the levy should a move towards these products be made.

13. Respondents are invited to submit any evidence that the final levy design could have potentially adverse impacts on groups with protected characteristics.

30. The soft drinks industry levy is a prime example of socially progressive taxation. It can deliver important long-term economic benefits to the productivity, health and wellbeing of the UK workforce. A systematic review of the literature has found that a tax on SSB will deliver population benefits across socio-economic strata, with greater benefit among lower socio-economic groups. International research has also demonstrated that levies offer a cost-effective form of taxation through a reduced disease burden and progressive earmarking of tax revenue for improved health outcomes.

31. As noted in paragraph 10 of this response, evidence from Mexico indicates a levy led to the largest drop in consumption among groups of low socio-economic status, delivering disproportionate benefit. This is particularly important with deprivation playing a clear role on levels of children’s obesity, with schoolchildren from the most deprived communities twice as likely to be overweight or obese as those from the least.

43. Do respondents have any other concerns or suggestions around potential compliance risks?

32. We make a series of recommendations to ensure the Treasury are firstly able to fully re-coup the £520m for investment in dietary and physical activity promotion in children, generating long over-due revenues for interventions to tackle obesity at a time where local authority public health budgets are under ever increasing pressures. And secondly, to ensure world-leading results that mitigate the future rising economic and disease burden of cancer and other diseases caused by obesity. Considering these two objectives, we pose a series of opportunities to make the Soft Drinks Industry Levy even more impactful than it currently is. Our five proposals to do this are:

33. A: Increasing the taxation level of the upper levy band, to ensure the levy bands are proportionate with sugar content. Lessons can be learned here from discrepancies in alcohol taxation, which currently does not systematically tax stronger products more heavily than weaker ones. The expected current bands of the levy should be revised to ensure the cost of the higher band is at least 1.6 times that of the lower. This is proportional to the difference in sugar content between the two bands (8g/5g = 1.6). For this reason we suggest the price of
the upper band should increase from 24p to a minimum of 29p per litre (Assumed price of the lower band at 18p per litre * 1.6 = 28.8p).

34. B: Ensuring the levy bands are increased in line with inflation. This can ensure the continuing effectiveness of the levy by protecting the tax bands from being devalued over time, and providing a disincentive for industry to flout plans for reformulation.

35. C: Reflecting the small but growing role of milk-based drinks as products containing high levels of free sugar, as detailed in paragraph 27. We propose this is done by changing the threshold for milk products from 75% milk to be consistent with School Food Standards guidance so milk-based drinks are treated equally to ‘combination drinks’, with those containing more than 5% sugar included within the levy.

36. D: We support the proposal for exemption of small businesses and understand the rationale to exclude these groups. We do not support a universal threshold, as it is important to ensure that large corporations do not gain benefit through exemptions for small employers, to maximise compliance and ensure the levy is not undermined.

37. E: A comprehensive, robust and independent evaluation of the levy, to improve the levy over time and identify any compliance issues. We believe that public health policy be built on robust evidence, and it is vital this measures is evaluated so it can be refined and adjusted to continually deliver public health gains. This evaluation should be funded by Government and conducted and published independently of Government. As a result, it should learn from failings in the evaluation of the Department of Health’s interim evaluation of the alcohol industry’s pledge to remove one billion units of alcohol from the market.49

38. The following should be in the remit of an evaluation, covering both products included in the levy and products that will likely substitute or complement SSB consumption:

- An examination of consumer retailed data to understand changes in trends, sales and retail prices of these products
- An examination of the dietary consequences of the levy, including changes in consumption of these products, including consumption data trends, of quality than can provide insight by demographic variables including age, gender and socio-economic status
- A review of the soft drinks industry practises as a result of the levy, including pricing strategies, product size changes, reformulation and marketing and promotional activities
- A review into consumer attitudes towards the levy and sugar consumption to understand the impact of a levy on consumer behaviour change

Contact Information

39. Thank you for taking the time to evaluate our response. For any questions relating to this consultation, please contact Dan Hunt, Policy Adviser at daniel.hunt@cancer.org.uk.
specific effect on prevalence of overweight and obesity of 20% sugar sweetened drink tax in UK: 43
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