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# Are Taxes on Sugary Beverages the Answer to the Obesity Epidemic?

By: *Juliana D'Alleva*



It is common knowledge nowadays that consuming sugar-sweetened beverages (“SSBs”) is associated with obesity, diabetes, and other poor health outcomes.[1] 40% of the American public consumes 300-800 calories a day from soda.[2] Unsurprisingly, over 40% of the American public is obese, with roughly 30% falling into the overweight category.[3] Governments have sought to combat this issue by levying a tax on sugar-sweetened beverages to raise their price and deter their consumption. In this way, SSB taxes are the modern-day version of taxes on cigarettes. In this blog post, I will outline the different taxes on sugar sweetened beverages across the countries of Ireland, Italy, Portugal, and the United States and compare the rates of obesity in each country and state to analyze the possible effects of the taxes on the populations.

Ireland enacted a tax on sugar sweetened beverages that begins when a drink exceeds five grams of sugar per 100 milliliters of drink or more. At five grams of sugar or more per 100 milliliters, the tax is 16.26 euros for every 100 liters of drink.[4] 100 milliliters is about 40% of a legal US cup. Currently, 16.26 euros is approximately 19.22 USD. The tax increases to 24.39 euros at eight grams of sugar per 100 milliliters[5] which is currently 28.83 USD. This tax came into effect on May 1, 2018,[6] but a survey on weight conducted by Eurostat found that Ireland had the second-highest rate of obesity in the European Union at 26%.[7] While it may be too soon to tell, the rate of obesity in Ireland does not seem to have been very affected by the government’s relatively high tax on sugar sweetened beverages.

Conversely, Italy’s rate of obesity is approximately 1 in 10,[8] which is one of the lowest in the European Union,[9] and they have put off instating a tax on sugar sweetened beverages until approximately 2022.[10] This data and comparison would seem to suggest that sugar sweetened beverage taxes are perhaps not the answer to the obesity epidemic, but a recent study projected that Portugal’s new tax on sugar sweetened beverages, established in 2017, will have a profound impact on the obesity rate, preventing an estimated 40 to 78 new cases of obesity in Portugal each year.[11] With this data in mind, it is possible that Ireland simply has not seen benefits from their levied tax on sugar sweetened beverages because it is too soon to tell, given that Portugal’s tax was instated a year earlier and the data currently reflects projected effects, rather than actual effects. However, the study on Portugal’s sugar sweetened beverage tax showed that for the tax to have

a larger impact on obesity rates, it needs to target both product consumption of sugar sweetened beverages and product reformulation of sugar sweetened beverages rather than solely targeting product reformation.[12] Portugal's tax differs from Ireland's in that the tax kicks in for beverages with below 80g of sugar per liter, with the tax being about 8.22 euros per 100 liters. When beverages have over 80g of sugar per liter, the tax is 16.46 euros per 100 liters. This tax is much lower than the tax in Ireland, which taxes beverages at 50g of sugar per liter at 16.26 euros. One might speculate that the Portuguese tax is more effective at combating obesity because it incentivizes reducing the sugar in beverages to below eighty grams per liter. In comparison, the Irish tax does not incentivize sugar-sweetened beverages reformulation if it doesn't go below 50g of sugar per liter because the tax is still substantial on beverages with that amount of sugar. Another reason why the Irish tax may not prove to be as effective as the Portuguese tax is that companies in Ireland may not want to transfer the increased cost from the taxes onto the consumer to avoid the tax causing a decrease in sales. Because the tax is so large, companies selling these beverages in Ireland may be absorbing the cost themselves because they know that offloading the entire tax into the cost of the product will cause a large decline in their consumption. Conversely, the study on the projected impact of Portugal's sugar sweetened beverage tax showed that without impacting sales of the sugar sweetened beverages, the impact on obesity rates in Portugal would be much smaller if reformulation of products was the only result of the tax.[13]

Similar to Italy, the United States does not impose a federal tax on sugar sweetened beverages. Still, six different localities within the United States do impose such a tax.[14] These localities are Philadelphia, PA, Seattle, WA, Boulder, CO, and four cities in California: Albany, Berkeley, Oakland, and San Francisco.[15] When comparing the obesity rates in different US states, states that have localities with sugar taxes did not uniformly have lower obesity rates.[16] While Colorado and Washington had obesity rates on the lower end in the range of 20-30%, California and Pennsylvania both had obesity rates of 30-35%, higher than Portugal and Ireland with their higher sugar taxes, and far higher obesity rate than Italy with no tax on sugar sweetened beverages. In addition, Washington and Colorado contain the localities with the highest sugar taxes at 1.75 cents per ounce and 2 cents per ounce, respectively, while California's localities all tax sugar sweetened beverages at a rate of 1 cent per ounce, and Pennsylvania's locality taxes sugar sweetened beverages at 1.5 cents per ounce.[17] Interestingly enough, the US states with localities that have higher taxes on sugar sweetened beverages have a lower rate of obesity. At the same time, the reverse is true in the comparison of Portugal and Ireland, being that Portugal has both the lower tax on sugar sweetened beverages as well as the lower rate of obesity.[18]

In conclusion, given the varying obesity rates and there not seeming to be much direct correlation between a lower obesity rate and the existence of a tax on sugar sweetened beverages, larger governments around the world should not look to tax their way out of the obesity epidemic. Even when targeting specific localities that have a high consumption of soda and other sugar sweetened beverages, it is not clear that SSB taxes directly cause a reduction in consumption, leading to a decrease in the obesity rate of that locality.[19] This is not to say that taxes on sugar sweetened beverages are completely useless in the fight against obesity. Some studies, such as the one on the projected impact of the Portugal tax, show that they can be a worthwhile tool. However, the information compiled in this blog post is meant to suggest that blindly implementing taxes on sugar sweetened beverages will not cause a significant reduction in obesity rates without the proper strategy, as obesity is a complex public health problem with many factors involved.

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