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Why the British soda tax might work better than any of the soda taxes that came before

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The great British soda tax doesn't begin for two more weeks, but some experts are already calling it a success.

That's because the graduated levy, which goes into effect April 6, has prompted some of the country's largest soda-makers to slash the sugar in their beverages.

Coca-Cola has changed the recipe for Fanta. San Pellegrino sodas in the United Kingdom now have 40 percent less sugar. The reduction has been so dramatic that the British Treasury has cut its revenue forecast for the levy almost in half to reflect the shrinking number of soft drinks with a taxable amount of sweetener.

Politicians and public health experts have cheered the news, which they say will reduce obesity and diabetes. And some are already promoting the British soda tax — which operates differently from the taxes in place elsewhere — as a model for other countries.

“Our Sugar Tax is even more effective than hoped,” tweeted George Osborne, the former finance minister, noting the latest product changes.

“That means less sugar and better health,” he added. “Progressive policy in action.”

As Osborne and others have noted, the design of the British soda tax is unique. Other countries, such as Mexico and South Africa, and U.S. cities, including Philadelphia and Berkeley, created their taxes with the goal of decreasing consumption of sugary drinks.

But the British tax was designed to encourage soda-makers to cut the sugar in their products. It incentivizes these “reformulations,” as they are known in the industry, by charging two separate rates based on total sugar content.

The lower rate, which applies to drinks with roughly 12 to 19 grams of sugar per eight-ounce can, works out to roughly 6 cents per serving. The higher rate, which applies to drinks with more than 19 grams of sugar per can, is about 8 cents per serving.

The brilliance of this design, from a public health perspective, is that it simultaneously discourages soda consumption while nudging soda-makers to improve the nutrition of the beverages.

In Britain, that nudge appears to have worked: In addition to Coca-Cola and Nestle UK, which makes San Pellegrino, regional sodas such as Irn-Bru, Lucozade and Ribena have slashed their total sugars to amounts that fall right beneath the level of the lowest tax. Several companies, such as Nichols, the maker of popular soda Vimto, have also begun refocusing their product development efforts on low- and no-sugar beverages.

And restaurant chains, including Pizza Hut and TGI Fridays, have limited the availability of some drinks to avoid the tax, removing full-sugar sodas from self-serve fountains.

Of course, critics of the soda tax are not counting these industry moves as a victory — at least not yet.

In a recent op-ed for the Telegraph, Ryan Bourne, an economist at the libertarian Cato Institute, argued that it is far too soon to tell if the much-touted reformulations will reduce overall sugar consumption, or just the sugar amount in a handful of popular beverages. Consumers have other options for highly sweetened foods besides soda. This is part of the reason soda taxes alone have not been shown to dent obesity, even if they decrease soda sales.

Industry groups have also argued that the government did not need to resort to policy to force them to reduce sugar. According to the Union of European Soft Drink Associations, the calorie count of the average soda fell 12 percent between 2000 and 2015, because of voluntary industry action. And the soft drink industry, both in Europe and the United States, has made other, independent commitments to reduce the calories and sugar in their beverages.

Still, as the British Treasury has hinted in its reports, taxes can fuel faster and more dramatic reductions. And while it's still too soon to say whether those reductions will improve public health, researchers say they have some encouraging predictions.

In 2017, a team of British researchers modeled what would happen if the soda industry cut sugars by between 15 and 30 percent. They found that the number of obese people in Britain would fall by 144,000, and the country would see 19,000 fewer annual cases of diabetes, according to a paper later published in the journal *Lancet Public Health*.

So far, several British soda-makers have reduced sugar by an even larger percentage.

“The sugar tax has been a great success and it has not even come in yet,” Duncan Brewer, a partner at consulting firm Oliver Wyman, told the Guardian. “... It’s a great example of a relatively benign intervention.”