

# Framework for the Development and Implementation of Fiscal Measures on Sweet Beverages to Promote Health in ASEAN Member States



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# **Framework for the Development and Implementation of Fiscal Measures on Sweet Beverages to Promote Health in ASEAN Member States**

The ASEAN Secretariat  
Jakarta

The Association of Southeast Asian Nations (ASEAN) was established on 8 August 1967. The Member States are Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam. The ASEAN Secretariat is based in Jakarta, Indonesia.

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## EXECUTIVE SUMMARY

The problem of obesity and diet-related non-communicable diseases are increasing up to an alarming level in ASEAN countries. It is estimated that 4.5 million children under five are currently overweight or obese. On that note, a fiscal approach could be taken to address this problem as the soft policies implemented appear to be less effective in overcoming obesity. One of the fiscal approaches that can be taken by all ASEAN countries is the policy to impose excise tax on Sugar-Sweetened Beverages (SSBs). The concept is to increase the selling price of SSBs and thus reduce the consumption of these drinks. Therefore, the Workshop on the Establishment of a Framework for the Fiscal Measure for Sugar-Sweetened Beverages was held at Pullman Putrajaya Lakeside Hotel, Putrajaya on May 14-18, 2018 involving 9 ASEAN country representatives.

The Main objective of this workshop was to develop a framework for the fiscal measure to reduce the demand and consumption of SSBs that can be used in Malaysia and regional countries.

This workshop involved a total of 100 participants including consultants, delegates and other ministry representatives. At the end of this workshop, the framework for the fiscal measure for SSBs in accordance with respective national policy was drafted based on the following issues:

1. Introduction and Earmarking of Tax Revenue – Scope of Framework on the Development and Implementation of Fiscal Measures on Sugar-Sweetened Beverages to Promote Health in ASEAN Member States.
2. Structure of Taxation – Scope of Tax.
3. Engagement Process for the Development and Implementation of Fiscal Measures.
4. Proposed Indicators for Monitoring and Evaluation.

The workshop successfully fulfilled its main objective to develop and establish a draft framework for the fiscal measure for SSBs as a reference for ASEAN Member States to implement in their respective countries. Draft of the framework was submitted to the ASEAN secretariat for endorsement to the higher level and for circulation to all ASEAN Member States.

In conclusion, this was an introductory workshop to encourage all involved country representatives to facilitate the taxation of SSBs in their country. As for Malaysia, the Ministry of Health is currently conducting a study on the Price Elasticity of Demand for SSBs in order to proceed with the implementation of tax.



## Introduction

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The ASEAN Leaders at the 31<sup>st</sup> ASEAN Summit held in Manila, the Republic of the Philippines on the 13<sup>th</sup> of November 2017, adopted the ASEAN Leaders Declaration on Ending All Forms of Malnutrition which stated *“We were committed that addressing malnutrition and diet-related non-communicable diseases globally and across ASEAN requires well-coordinated and coherent regional and sustained multi-sectoral inter-linkages and partnerships, without which nutrition goals may not be achieved and “We agree on the urgent need to accelerate evidence-based multi-sectoral actions, and scale up interventions to reduce and ultimately end all forms of malnutrition, particularly among the most vulnerable, poor and disadvantaged groups of ASEAN”.*

Overweight and obesity in children and adults, as well as diet-related non-communicable diseases (NCDs), are on the rise at an alarming rate among the ASEAN Member States. It is estimated that 4.5 million children under five are currently overweight or obese. These children are more likely to become overweight or obese later in life. Moreover, significant rises are found among ASEAN Member States with regard to adult overweight, with prevalence ranging from 3% to over 30%<sup>1</sup>.

Within the past two (2) decades, a number of epidemiologic studies both in children and adults have evaluated the association between SSBs intake and weight gain. These studies support the link between SSB consumption and the development of obesity<sup>2</sup>. Given the adverse effects on health associated with consuming SSBs and the lack of nutritional value of these products, there has been increasing interest in reducing SSB consumption around the world<sup>3</sup>.

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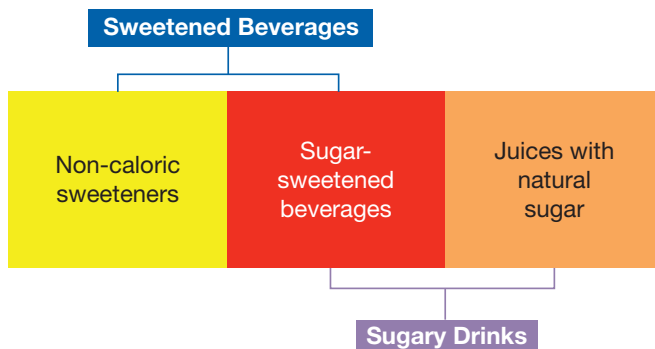
<sup>1</sup> Regional Report on Nutrition Security in ASEAN, 2016.

<sup>2</sup> Malik VS, Schulze MS, Hu FB. Intake of sugar-sweetened beverages and weight gain: a systematic review.

<sup>3</sup> WHO, 2016.

Based on the workshop on the establishment of the framework for the fiscal measure for SSBs, it was agreed to include in the discussion of this document other Sweet Beverages aside from SSBs. There are three types of Sweet Beverages as summarized in Figure 1.

## TYPES OF SWEET BEVERAGES



**Figure 1. Types of Sweet Beverages (Veerman, 2018)**

The three (3) main types are: Sugar-Sweetened Beverages (SSBs), non-caloric sweetened beverages, and juices with natural sugar. The definition of each type is found in Section 3 of this document. Based on available literature<sup>4</sup> high SSB consumption is an established risk factor to obesity and weight gain. In addition, current evidence suggests that reducing sugar intake, especially in the form of SSB, may help maintain a healthy body weight<sup>5</sup>. However, for non-caloric sweeteners and juices with natural sugar, the association with obesity, weight gain and chronic disease is limited.<sup>6</sup> There is evidence that natural juices lead to weight gain but they also contain vitamins that may partly offset the negative impact of weight gain. For non-caloric sweeteners, there is no conclusive evidence that they cause health problem, but some uncertainty remains.

<sup>4</sup> Hu FB & Malik VS (2010). Sugar sweetened beverages and risk of obesity and type 2 diabetes: epidemiologic evidence.

<sup>5</sup> <https://www.cdc.gov/nutrition/data-statistics/sugar-sweetened-beverages-intake.html>

<sup>6</sup> Auerbach BJ et al. (2018). Review of 100% Fruit Juice and Chronic Health Conditions: Implications for Sugar-Sweetened Beverage Policy.

Auerbach BJ et al. (2017). Fruit Juice and Change in BMI: A Meta Analysis.

Pereira MA (2013). Diet Beverages and the Risk of Obesity, Diabetes and Cardiovascular Disease: a Review of the Evidence.

Pereira MA (2014). Sugar-Sweetened and Artificially-Sweetened Beverages in Relation to Obesity Risk.

Several authoritative reports<sup>7</sup> have concluded that a fiscal approach is effective in reducing consumption of unhealthy food products including sweet beverages. Evidence suggests that fiscal measures, specifically excise tax and price measures, lead to reduced demand and consumption of these beverages especially among low income groups (study in Mexico, Australia, etc)<sup>8</sup>. As observed in the global experience of implementing price and tax measures on tobacco and alcohol<sup>9</sup>, there was a significant reduction in the demand and consumption after increasing its market price. In the aforementioned workshop, it was agreed that non-caloric sweeteners and natural juices can be considered for inclusion in the fiscal measure. This is based on the fact that natural juices have high sugar content, and that non-caloric sweeteners can possibly enhance a person's preference for sweet-tasting food or beverages, hence, increase craving and consumption of sweet foods and drinks which could lead to weight gain<sup>10</sup>. Several studies also concluded that tax administration for SSBs and non-caloric sweeteners is well established although there may be challenges in quantifying the sugar content of beverages with non-caloric sweeteners. Among ASEAN Member States: Brunei Darussalam, Philippines<sup>11</sup>, and Thailand<sup>12</sup> have implemented fiscal measures on SSBs or Sweetened Beverages (SBs). Based on the aforementioned evidences, this framework manual focuses on fiscal measures appropriate for ASEAN Member States to reduce the consumption of Sweet Beverages, which include primarily sweetened beverages and sugary drinks. Measures will often take the form of taxes or health levies. Subsidizing healthier alternatives to sweet drinks, such as water, can also be considered.

Lastly, fiscal measures are strongly recommended to be part of a comprehensive approach to address unhealthy food systems which includes, among others, regulatory policies on sales and marketing, health promotion and education and other fiscal policies (i.e. subsidies for healthier foods and drinks).

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<sup>7</sup> Second International Conference on Nutrition (ICN2), WHO Commission on Ending Childhood Obesity (ECHO), Global Action Plan on NCDs 2013-2020, Comprehensive Implementation Plan on Maternal, Infant and Young Child Nutrition.

<sup>8</sup> <https://www.ncbi.nlm.nih.gov/pubmed/28615377>; <https://www.ncbi.nlm.nih.gov/pubmed/27182835>; <https://www.ncbi.nlm.nih.gov/pubmed/28654688>

<sup>9</sup> WHO Technical Meeting Report: Fiscal Policies for Diet and Prevention of NCDs, 2015.

<sup>10</sup> David S. Ludwig, Artificially Sweetened Beverages: Cause for Concern, 302 JAMA 2477, 2477-78.

<sup>11</sup> Republic Act No. 10963 or the Tax Reform for Acceleration and Inclusion (TRAIN).

<sup>12</sup> Excise Tax Act B.E. 2560 (2017).

## 1.1 Rationale of this Framework

The purpose of this framework manual is to assist ASEAN Member States in implementing a fiscal measure - specifically price and tax measures on Sweet Beverages - as an approach to prevent obesity and diet-related NCDs especially for children and the low-income people. This framework manual was established through various country experiences and lessons learned, as well as through review a of existing evidences. This document outlines how a fiscal measure can be developed and operationalized. As with other ASEAN frameworks, this framework only provides recommendation for ASEAN Member States and can be subjected to country specific variation.

# Objective and Scope of Framework on the Development and Implementation of Fiscal Measures on Sweet Beverages to Promote Health in ASEAN Member States

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## 2.1 Objective

The objective of this framework is to provide all ASEAN Member States with convenient, relevant and practical guidance on the development and implementation of fiscal measures on Sweet Beverages to promote health.

## 2.2 Scope

The scope of framework covered the definitions of Sweet Beverages, development and implementation, impact analysis, projection method and taxation modelling.



## Definitions

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### 3.1 Sweet Beverages

Sweet Beverages refer to any non-alcoholic sweet drinks with added sugar or non-caloric sweetener, and juices with natural sugar. They include Sweetened Beverages (SBs) and Sugary Drinks (SDs).

#### 3.1.1 Sweetened Beverages (SBs)

SBs refer to non-alcoholic beverages of any constitution (liquid, powder, or concentrates) that are pre-packaged and sealed in accordance with the ASEAN Member States' specific food & drugs standards, that contain sugars and/or non-caloric sweeteners (natural/artificial) added by manufacturers as described in the Food Category System from Codex Alimentarius Food category Descriptors (Codex Stan 192-1995, Rev. 2017 or the latest) as adopted by ASEAN Member States. SBs include sugar sweetened beverages (SSBs) and non-caloric sweetened beverages.

- a) Sugar Sweetened Beverages (SSBs) refer to beverages that contain added sugars including but not limited to sucrose, fructose and glucose.
- b) Non-caloric sweetened beverages refer to drinks that contain a substance that is naturally or artificially processed that produces certain sweetness, such as aspartame, sucralose, saccharine, acesulfame potassium, neotame, cyclamates, or stevia.

#### 3.1.2 Sugary Drinks (SDs)

SDs refer to non-alcoholic beverages that contain free sugars. These include monosaccharides and disaccharides added to foods and beverages by the

manufacturer, cook or consumer, and sugars naturally present in honey, syrups, fruit juices and fruit juice concentrates<sup>13</sup>.

- a) Juices with natural sugars refer to non-alcoholic beverages prepared from natural fruits and vegetables that do not have added sugars or caloric sweeteners as defined in CODEX<sup>14</sup>.

## 3.2 Fiscal Measures

Fiscal measures are instruments of a government in revenue collection (tax) and expenditure (subsidy) to influence the economy.

### 3.2.1 Tax

Tax is an unrequited, mandatory financial charge imposed upon a tax payer by a governmental organization regulated in law in order to fund various public expenditures<sup>15</sup>.

Types of tax:

- a) Import Duties  
Import duties and taxes means any customs or import duty and a charge of any kind imposed in connection with the importation of a good<sup>16</sup>.
- b) General Consumption Tax
  - i. VAT (Value Added Tax)  
Tax on the value added at each stage of the production-distribution chain<sup>17</sup>.
  - ii. Goods and Services Tax (GST)  
Tax charged and levied on any supply of goods or services<sup>18</sup>.
  - iii. Sales Tax  
Single stage tax charge and levied on locally manufactured goods at manufacturers level and imported goods.

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<sup>13</sup> WHO Guideline on Sugars intake for adults and children. World Health Organization, 2015.

<sup>14</sup> Put reference from codex.

<sup>15</sup> Charles E. McClure, 2015.

<sup>16</sup> ASEAN Trade in Good Agreement.

<sup>17</sup> World Bank 2003.

<sup>18</sup> GST ACT 2014, Malaysia.



#### iv. Excise Tax

Excise tax is a tax imposed on a number of specific goods imported into or produced within a country and/or services which have nature and characteristics listed by legal documents to regulate the production and consumption of<sup>19</sup>.

- Specific Tax  
Tax charged as fixed amount per quantity<sup>20</sup>.
- Ad Valorem  
Tax charged as percentage of the price<sup>21</sup>.

### 3.2.2 Government Expenditure

Government expenditure includes all government consumption, investment, and transfer payments<sup>22</sup>.

#### a) Subsidy

A subsidy is a form of financial aid or support extended to an economic sector generally with the aim of promoting economic and social policy<sup>23</sup>.

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<sup>19</sup> edited version of Viet Nam excise tax definition.

<sup>20</sup> edited from World Trade Organisation definition.

<sup>21</sup> edited from World Trade Organisation definition.

<sup>22</sup> Bureau of Economic Analysis, 2010.

<sup>23</sup> Myers et. al, 2011.



## Development and Implementation of the Fiscal Measures on Sweet Beverages

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Key factors to consider for applying fiscal measure vary amongst countries. There are different types of principles of fiscal measures ranging from taxation to subsidy. Amongst various tax systems, the excise tax principles of regulating production and consumption is in line with the objective of Sweet Beverages control.

The principal aim of excise tax is to regulate the production, consumption and redistribution of wealth and to collect tax revenue. In this case, we will focus on reducing the consumption of Sweet Beverages to promote health. As Sweet Beverages contribute to the increase of obesity, diabetes, other related NCDs and oral health problems, applying excise tax would help reduce the consumption of these beverages and hence help reduce the prevalence of said diseases. Further, part of the revenue from the tax could be used to strengthen health promotion and advocacy, specifically on healthy lifestyle, and to improve public health services and facilities. The promotion of the consumption of healthier food options will strengthen and improve public awareness and behaviour.

Excise tax can be either specific and/or ad valorem. There are advantages and disadvantages in considering these two forms as shown in table below.

	Advantages	Disadvantages
<b>Specific Tax</b> (E.g. levy of \$0.30 per litre on drinks that contain >5 grams of added sugar per 100ml)	Predictable	Inflation erodes its value
	Raises all product prices	Reduces the purchasing power of the products among the consumers
	Easy to determine the amount of tax	Tax liability will be proportionately higher for local brand with cheaper price
	Easier to administer	-
	Pressure on manufacturers to reformulate their products	Decrease in government's revenue.
<b>Ad Valorem</b> (E.g. a value-added tax of 20% on drinks that contain >5 grams of added sugar per 100 ml)	Automatic adjustment for inflation	Less predictable revenue stream
	Higher profit margin is taxed	Difficult to determine the amount of tax
		Leads to large price differences between products
		Require strong tax administrative system

Source: Amended from *Taxation and Price, Types of Taxes, Framework Convention Alliance (2012)*.

Generally, specific excise taxes are recommended to effectively reduce the consumption of Sweet Beverages.

## 4.1 Development and Implementation of Excise Tax on Sweet Beverages

### 4.1.1 Development to Introduce Excise Tax on the SBs

Each ASEAN member country should determine the aims, scope and objective of what is being proposed, and then use a collaborative approach to make sure the proposal can be achieved. The situational context should first be assessed to identify the rationale for introducing a tax on Sweet Beverages, the legal framework for its introduction and the current policy environment that may support the implementation.

The contextual analysis may include:

- i) Conduct of Situational Analysis:
  - a. Epidemiological analysis of obesity, diabetes, other related NCDs and oral problems.
  - b. Data on production, sale and consumption of Sweet Beverages.
  - c. Healthcare cost and expenditure.
  - d. Cost Benefit Analysis.
  - e. Study on the price and elasticity if data and capacity are available.
- ii) Analysis of the legislative framework in the Food Regulations and Excise Tax Regulations that would need to be amended to introduce an excise duty. The enabling legislative framework for the successful implementation of the tax on Sweet Beverages includes the Food Regulation, Excise Tax Act and other related laws in each ASEAN Member States.
- iii) Analysis of relevant national nutrition policies and guidelines to examine the feasibility of implementation and the appropriateness of the timing for development. The implementation of a tax on Sweet Beverages must be supported by nutrition policies or guidelines that recognize the need to promote healthy diets, especially to children (e.g. nutrition profiling).
- iv) Analysis of possibility for multisectoral collaboration in the implementation of Sweet Beverage taxation at least in labelling, quality control and data exchange between health and tax authorities.
- v) Analysis of the political influence and industry interference in order to increase the support and overcome the challenges.

#### **4.1.2 Process to Tax Sweet Beverages**

The determination of the tax structure is very important after careful analysis and examination of best practices has been done. A good design of the tax can maximise its desired impact on Sweet Beverage consumption and health. Key findings from research papers and experience of countries worldwide suggest that the policy design of excise tax must consider five aspects:

- i) International, regional and country experiences and evidence-based research which clearly articulates the link between the problem and proposed policy prescription.

- ii) The definition of the parameters pertaining to the products to be taxed (it is essential that these definitions are implementable in practice) and the tax rate (it must be sufficiently high to result in the desired outcome).
- iii) The effect of the policy to the poor and reduction of the prevalence of NCDs.
- iv) The need to be informed by consultation with related sectoral stakeholders.
- v) Other impacts of the policy on the society and economy.

One of the key considerations with the implementation of excise tax is the design with specific focus on the coverage, defining the base and the rate. Excise taxes are selective on products in terms of coverage, discriminate in intent and often have some form of quantitative measure linked to the tax liability. The following considerations should be taken in designing the tax structure implementation:

### i. Schemes for Excise Tax Imposition

The excise tax can be levied on volume or sugar content (specific tax) or on % of value (ad valorem tax). Choice in the type of tax will influence the tax's effectiveness and ease of implementation. The advantages and disadvantages of each excise scheme are as follows:

Excise Scheme	Advantages	Disadvantages
<p><b>1. Flat tax rate on all Sweet Beverages</b></p> <p>(e.g. \$2.00 per litre of SBs for specific method).</p> <p>(e.g. +10% of ex-factory price/retail price/custom value for ad-valorem method).</p>	<ul style="list-style-type: none"> <li>• Easy to administer.</li> <li>• Captures all Sweet Beverages.</li> </ul>	<ul style="list-style-type: none"> <li>• Tax rate for low sugar content Sweet Beverages will be the same rate as high sugar content Sweet Beverages.</li> <li>• No motivation for manufacturers/ consumers to shift to lower sugar content Sweet Beverages.</li> <li>• No support for reformulation of healthier products from industries.</li> </ul>

Excise Scheme	Advantages	Disadvantages
<p><b>2. Tax rate based on volume, tiered based on sugar level</b></p> <p>(e.g. \$0.50 per litre of SBs with &gt;5% sugar level; and \$1.00 per litre of SBs with &gt;10% sugar level for specific method).</p> <p>(e.g. +5% of ex-factory price/retail price/custom value for SBs with &gt;5% sugar level; and +10% of ex-factory price/retail price/custom value for SBs with &gt;10% sugar level for ad-valorem method).</p>	<ul style="list-style-type: none"> <li>• Provides motivation for manufacturers/consumers to shift to lower sugar content Sweet Beverages.</li> <li>• Provides support for reformulation of healthier products from industries.</li> </ul>	<ul style="list-style-type: none"> <li>• Administratively more complex.</li> <li>• Requires regulation in labelling of sugar content, inspection and need strong collaboration amongst responsible authorities.</li> <li>• Industry will shift to non-sugar sweeteners.</li> </ul>
<p><b>3. Tax rate based on total sugar content</b></p> <p>(e.g. \$0.02 per gram of sugar contained in Sweet Beverages for specific method).</p> <p>(e.g. +10% of ex-factory price/retail price for ad-valorem method). Different tax rate for different sugar content range.</p>	<ul style="list-style-type: none"> <li>• The higher the sugar content, the higher is the tax imposed.</li> <li>• Provides motivation for manufacturers/consumers to shift to lower sugar content Sweet Beverages.</li> <li>• Provides support for reformulation of healthier products from industries.</li> </ul>	<ul style="list-style-type: none"> <li>• Administratively more complex due to the process of determination of sugar content.</li> <li>• Requires regulation in labelling of sugar content, inspection and needs strong collaboration amongst responsible authorities.</li> <li>• Industry will shift to non-sugar sweeteners.</li> </ul>

Excise Scheme	Advantages	Disadvantages
<p><b>4. Threshold approach</b></p> <p>(e.g. \$0.40 per gram of sugar above 5 grams per 100 ml of Sweet Beverages for specific method).</p> <p>(e.g. +10% of ex-factory price/retail price for Sweet Beverages above 5 grams per 100 ml for ad-valorem method).</p>	<ul style="list-style-type: none"> <li>• Provides motivation for manufacturers/ consumers to shift to lower sugar content Sweet Beverages.</li> <li>• Provides support for reformulation of healthier products.</li> </ul>	<ul style="list-style-type: none"> <li>• Administratively more complex.</li> <li>• Requires regulation in labelling of sugar content, inspection and needs strong collaboration amongst responsible authorities.</li> <li>• Industry will shift to non-sugar sweeteners.</li> </ul>
<p>Notes:</p> <ol style="list-style-type: none"> <li>1. All countries are recommended to tax to increase the retail price at least 20% on Sweet Beverages as a means of curbing the growing obesity and diabetes rates as recommended.</li> <li>2. Countries may choose to apply Specific Tax or Ad-Valorem tax or both.</li> </ol>		

Source: Edited from National Treasury Republic of South Africa, *Taxation for Sugar Sweetened Beverages*, 2016.

**ii. Scope of the Tax: Taxable products are:**

- a) Sweet Beverages
  - Sweetened Beverages (SBs): refer to definition.
  - Sugary Drinks (SDs): refer to definition.

**iii) Type of Tax and Rate. The tax rate should be high enough to ensure a price increase of at least 20%:**

- a) For Ad-Valorem tax, the taxable price should be the suggested retail price.
- b) For Specific Tax, the tax should be designed to automatically adjust in line with inflation to avoid reductions in the real value of the Sweet Beverage tax.

**Note:**

**Exclusion of products from taxation would depend on country's preference.**



### 4.1.3 Impact of the Tax on Society and Economy

#### a) Society

##### i. Health

Due to increased price, consumers are more likely to cut down on the intake of taxed Sweet Beverages and thus experience greater health gains<sup>24</sup>.

The tax could also encourage the industry to reformulate their products to avoid the tax, hence provide more healthy options for consumers.

##### ii. Employment

Study have shown that Sweet Beverage taxes are likely to lead to a net increase in jobs, in spite of a small decrease in jobs in the beverages sector- as people shift consumption to other products<sup>25</sup>.

The job losses from low demand for the Sweet Beverages may in turn create new job opportunities for industries to produce new products such as bottled water, milk, and other healthier products.

#### b) Economy

##### i. Reduce health expenditure.

##### ii. Boost GDP because of a larger, healthier workforce.

##### iii. More revenue for better health services and facilities and medical assistance for the poor.

##### iv. Sources of subsidy for healthier options.

The success of the tax measure will rest heavily on the simultaneous availability of cheaper and healthier beverage alternatives (such as clean tap water that tastes good). Fiscal and trade policies which not only increase the costs of unhealthy foods but also increase the affordability of healthy foods are recommended.

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<sup>24</sup> <https://bmcpublihealth.biomedcentral.com/articles/10.1186/1471-2458-13-1072>

<sup>25</sup> Powell LM(1), Wada R, Persky JJ, Chaloupka FJ. Employment impact of sugar-sweetened beverage taxes. Am J Public Health. 2014 Apr;104:672-7.

## 4.2 Engagement Process for the Development and Implementation of Fiscal Measures on Sweet Beverages

The consultation process should emphasize the health objective. It is important that Sweet Beverage tax is clearly justified in terms of its positive impact on health<sup>26</sup>.

A stakeholder analysis can then be conducted to place each stakeholder based on their degree of power and interest (eg: by using an influence-interest grid). The result of this analysis can be used to determine the mode and timing of engagement of stakeholders. Each stakeholder should be engaged differently and kept informed depending on their level of power and interest. In the beginning, stakeholders with high power and interest aligned with the objective need to be fully engaged and brought onboard. Meanwhile, stakeholders with high power but low interest should be continuously engaged by keeping them informed and roped in as supporters or patrons. Stakeholders with low power but high interest can be empowered to form the basis of an interest group or coalition which can lobby for a change.

### 4.2.1 Government-led Stakeholders

In the initial stages, it is recommended that the government takes responsibility by conducting informal engagement with a wide group of experts to gain understanding on the fiscal measure issues. Government should then establish a formal working group to facilitate a multi-sectoral approach to tax development. This working group should include like-minded stakeholders who have expertise relevant to fiscal measures such as public health specialists, economists, nutritionists, policy researchers, and policy advocates etc.

The working group operationalizes the findings from contextual analysis and conducts stakeholder mapping by identifying all relevant stakeholders. This would include government agencies, NGOs, CSOs, private sectors/ industries and academia, funders, consumers associations and philanthropists.

The aim to promote health needs to be central in the communication. This can be done by developing key benefits and messages for each stakeholder which can then be used to determine the best channel of communication.

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<sup>26</sup> Thow AM, Quested C, Juventin L, Kun R, Khan a N, Swinburn B. Taxing soft drinks in the Pacific: implementation lessons for improving health. *Health Promot. Int.* 2011;26(1):55-64.

To strengthen public trust, this needs to be done in an inclusive and transparent manner such as by having accessible published reports, regular press releases, and public consultation in order to raise public awareness and buy-in.

#### **4.2.2 Profit Private Sectors (PPs)**

Profit private sectors (PPs) refer to a sole proprietorship, partnership, or cooperation organized for the purpose of earning profit enhancing the financial position of the owners from their products and services. PPs include but not limited to beverage industries, sugar cane farms, sugar cane industries, and retailers.

The manufacturing sector plays an important role, as there will be implications for employment and the opportunity for the development of new and innovative healthier alternatives such as increasing availability of healthier Sweet Beverages. However, globally the beverage industries have resisted efforts to implement Sweet Beverage tax and have invested large amount of money into anti-taxation campaigns using tactics similar to those employed by the tobacco industries. Therefore, the engagement of the manufacturing sector should be done in order to familiarize them with taxation matter, and of public health impacts of high sugar diets, but not to involve them in the development of the proposal.

At early stage, relevant private sectors mapping and analysis should be carried out in order to identify their existence, positions, interests, powers and networks. Monitoring of private sectors' movements should be conducted based on the level of their influences. Since the sector bears no responsibility for population health or government finances, they could be involved after the draft proposal of fiscal measure is ready for public consultation. However, private sectors engagement has to be done inclusively and transparently by having accessible published reports, regular press releases, and public consultation. Private sectors need to be informed on the current health and nutritional status of the population and their roles in promoting a healthy diet. Hence, the importance of this fiscal intervention and tax framework (not including the scope or level of the levy) must be explained clearly to familiarize them with the initiative. Monitoring of private sectors' reactions on the proposal should be conducted to gain needed information for advocacy planning.

### 4.2.3 Non-Profit Private Sectors (NPPs)

Non-profit private sectors refer to a group organized for purposes other than generating profit and in which no part of the organization's income is distributed to its members, directors or officers. NPPs include, but are not limited to, non-government organizations, civil society, and social and consumers activists or associations.

The NPPs advocacy and empowerment can create a larger network of advocates who may contribute significantly to shift consumers' beverage consumptions towards a healthier pattern. This also may lead to less resistance from profit organizations and gain PPs' cooperation in producing more of healthier products. In addition, empowered NPPs may be the key activists who may greatly influence policy makers to be accountable and responsible for population is health.

Mapping and analysis of NPPs to gain necessary information for creating NPPs engagement strategies are essential. Effective communication and engagement needs to be done inclusively and transparently in order to gain support and participation from NPPs for the initiative. Informed key messages include the current SBs-related health problems and their impacts, NPPs' roles in promoting a healthy diet, and the importance of having fiscal intervention in place. The NPPs' reactions on the initiative should be monitored to gain needed information for advocacy planning.

### 4.2.4 Media

Media refers to any forms of public communication, which include, but are not limited to, newspapers, magazines, television, radio, billboards, and social media (Facebook, Websites, Instagram, etc.). Media also plays an important role in gaining support or opposition to the initiative from the public, whose voice is considerably powerful to policy makers and PPs. Therefore, proper media advocacy strategies have to be applied. Initially, building rapport with the media should be established. Then, a series of press releases of the current Sweet Beverage related health problems and their impacts, and the importance of having fiscal intervention in place should be conveyed to the media. In addition, countering information of misleading messages needs to be widely disseminated to rectify the public misunderstanding on this initiative (see example in appendix). The messages should be communicated via various media platforms in order to reach all subgroups of population. Information

published by the media should be monitored regularly to ensure that the public receive the correct information.

### **4.3 Earmarking Tax Revenue**

The expected revenue from the Sweet Beverage tax is highly recommended to be allocated to finance health programs depending on country context and budget process. This increases the positive effects on health and can enhance public support of the initiative.

In the Philippines, 30% of the incremental revenues will be allocated to the following, among others:

- Education.
- Health targeted nutrition and anti-hunger programs for mothers, infants and young children.
- Social protection.
- Employment.
- Housing.

In Thailand, the revenue is remitted to the government and form part of the general fund.



## Proposed Indicators for Monitoring and Evaluation

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Before the fiscal measures on Sweet Beverages are implemented, it is crucial to have baseline data, so that monitoring and evaluation on its compliance and effectiveness can be done. Thus, regular monitoring and evaluation of the taxation need to be executed. There are two major components of indicators which are related to economic and health related parameters as shown in table below:

Effective monitoring and evaluation of the excise tax would provide the necessary data on its compliance, industry response and effectiveness as well as adjusting the excise tax to an optimal rate. Thus, regular monitoring and evaluation of the taxation need to be executed.

No	Proposed Indicators	Definition	Formula	Frequency	Source of data	Notes
<b>A. Process Indicators</b>						
<b>i. Economic Related Indicators</b>						
1	Trend on the quantity of Sweet Beverages Production for domestic consumption	Quantity (volume) of Sweet Beverages production for domestic consumption as reported by the beverage industry to the custom department				
2	Trend on the quantity of Sweet Beverages Importation for domestic consumption	Quantity (volume) of Sweet Beverages Importation for domestic consumption as reported by the beverage industry to the custom department		At least 3 Monthly	Custom Dept./ Ministry of Finance	Need to consider Sweet Beverages importation that initially declared for domestic consumption but re-export to other countries consumption but re-export to other countries



No	Proposed Indicators	Definition	Formula	Frequency	Source of data	Notes
3	Trend on the quantity of Domestic Sweet Beverages sales including substitute	Quantity (volume) of Domestic Sweet Beverages sales including substitute generated/reported		At least 3 Monthly	Purchased raw data from the accredited/ established data companies or data generated from other sources such as from National Surveys/ Excise Tax department<sup>17</sup>	
4	Trend on the quantity of revenues generated from the Excise Tax implementation	Trend on the quantity (monetary value) of revenues generated from the Excise Tax implementation		Monthly	Royal Custom Dept./Ministry of Finance	

No	Proposed Indicators	Definition	Formula	Frequency	Source of data	Notes
5	Trend on the price changes of Sweet Beverages in relation to Excise Tax	Trend on the price changes of Sweet Beverages (at the point of sale) in relation to the implementation of excise tax		Monthly	Royal Custom Dept./Ministry of Finance/Economic Development Unit/Ministry of Domestic Trade, Co-operatives and Consumerism (Msia)	
6	Mean/median of total sugar level of Sweet Beverages products sold for domestic consumption	The total sugar content as declared in the Nutrition Information Panel/ Lab Analysis by the beverage industry		Yearly	Market Surveys/ Beverage Industry	

No	Proposed Indicators	Definition	Formula	Frequency	Source of data	Notes
<b>ii. Health Related Indicators</b>						
1	Trend on the prevalence of the populations behaviours (children/ adolescents/ adults) on the consumption of Beverages including the Substitutes	(need to define- Beverage Substitute )		At least 5 yearly	National Surveys	
<b>B. Output/Outcome Indicators</b>						
1	The percentage of expenditures on revenue collected from Sweet Beverages for health related activities/ promotion		$\frac{\text{Total expenditure from the revenues collected/ Total revenues collected excise taxation} \times 100}{100}$	Yearly	Royal Custom Dept./MOF	

No	Proposed Indicators	Definition	Formula	Frequency	Source of data	Notes
2	Trend on the number of Sweet Beverage product Formulation/ Reformulation	Refers to the product formulation/ reformulation that fulfilled the criteria for Sweet Beverage excise tax exemption		At least 6 monthly	Beverage Industry/FDA/ Market Survey/ MOF	
3	Trend on the demand of Sweet Beverages in relation to Price Changes (To measure the price elasticity)	Trend on the price changes of Sweet Beverages (at the point of sale) in relation to the demand as reflected by the quantity (volume) of Sweet Beverages sales		Monthly	Purchased raw data from the accredited/ established data companies or data generated from other sources such as from National Surveys/ Excise Tax department	

No	Proposed Indicators	Definition	Formula	Frequency	Source of data	Notes
4	The percentage of the quantity (volume) of Sweet Beverages that are exempted at production level	The quantity (volume) of Sweet Beverages below taxable total sugar level	The volume of Sweet Beverages that are exempted from the Sweet Beverages Tax/Total volume of Sweet Beverages produced) x 100	At least 3 Monthly	Royal Custom Dept./MOF	
5	Trend on the prevalence of obesity among children/ adolescent/adults			At least 5 yearly	National Surveys	
6	Trend on the prevalence of diabetes among Adults			At least 5 yearly	National Surveys	

No	Proposed Indicators	Definition	Formula	Frequency	Source of data	Notes
7	Trend on the prevalence of dental caries among children/ adolescent/adults			At least 5 yearly	National Surveys	

### Operationalization of the M&E

ASEAN Member States would need to identify a leading national agency/body who will monitor, collect, compile and know how to use the data. A working group at national level that consists of various experts may be established to do the monitoring and evaluation.

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# APPENDIX

## OBJECTIONS TO A TAX ON SUGAR-SWEETENED BEVERAGES, AND RESPONSES

### “Tax is too complex to implement”

Response: Since the number of manufacturers and products is limited, the tax can be levied at the factory gate and for imported products, at the border. Many countries, including Thailand, Brunei and the Philippines, have already implemented taxes on these drinks, and have shown this to be feasible.

### “Tax will cause job loss”

Response: There is no evidence to support the statement. On the other hand, evidence indicated that SSB taxes do not cause job loss in manufacturing sector.

1. A study in the US found that “Declines in employment within the beverage industry occurred but were offset by new employment in non-beverage industry and government sectors”. (Powell 2012; <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4025719/>).
2. A study of the SSB tax in Berkeley, California, found that SSB sales decreased but sales of non-taxed drinks increase, for a net increase in sales. (Silver et al 2017; <https://www.ncbi.nlm.nih.gov/pubmed/28419108>).
3. A study in Mexico also informed no decrease in national employment rate and also employment due to SSB taxes in the manufacturing sector and commercial stores. (Guerrero-López et al 2017; <https://doi.org/10.1016/j.ypmed.2017.09.001>)

### “There is no evidence a tax will do anything to reduce obesity”

Response: Taxation helps to reduce obesity prevalence.

1. According to systematic review the impact of SB taxes on overweight and obesity in Middle-Income Countries (Nakhimovsky et. al, 2016; <http://journals.plos.org/plosone/article?id=10.1371/journal.pone.0163358>), even though the occurrence of substitution effect were coincided, SSB taxes showed significant effect on net energy intake reduction, which could subsequently prevent the growth of obesity prevalence.



2. The sugar-sweetened beverages tax in Mexico is expected to produce sizable and sustained reductions in obesity and diabetes. Increasing the tax could produce larger benefits. While encouraging, estimates will need to be updated once data on direct changes in consumption becomes available. (Barrientos-Gutierrez T et al. 2017)

### **“Taxing SSBs reduces consumers’ free choice and implies a ‘Nanny-State’”**

Response: Consumers are choosing to drink SBs based on incomplete information, where external cost is neglected. Moreover, SBs are noncore beverages and overconsumption of them is potentially harmful to not only health but also economy at both individual and collective levels.

In terms of individual impact, there is strong evidence that SBs will increase obesity and diabetes prevalence (Hu FB, 2013; <https://www.ncbi.nlm.nih.gov/pubmed/23763695>). This will significantly undermine individual’s quality of life (Jia H et al, 2006; <https://academic.oup.com/jpubhealth/article/27/2/156/1595888>), Keating CL et al, 2013; <https://onlinelibrary.wiley.com/doi/pdf/10.1002/oby.20290>) and socioeconomic status, especially the poor (Zhuo X et al, 2014; <http://care.diabetesjournals.org/content/37/9/2557>, Fernandes S et al, 2017; <http://www.msjonline.org/index.php/ijrms/article/viewFile/3132/2830>).

Considering collective impact, over-consumption of SBs can subsequently cause crucial health problems, which generated a large amount of health expenditure and contributed significantly to economic loss. It is estimated that, from 2011 to 2025, NCDs will consume over USD 50 trillion (Bloom DE et al, 2012; [https://www.hsph.harvard.edu/program-on-the-global-demography-of-aging/WorkingPapers/2012/PGDA\\_WP\\_87.pdf](https://www.hsph.harvard.edu/program-on-the-global-demography-of-aging/WorkingPapers/2012/PGDA_WP_87.pdf)). Moreover, the increasing health burden may be overburden to the health care system, which could lead to less accessibility of quality health care. The revenue earned from tax could be earmarked for interventions aimed to improve health and well-being of the population.

Accountable government must address the problems with effective interventions rather than wasting resources on ineffective measures and embrace the crisis. In addition to emphasizing the urgency and impetus for the measure, we could also angle the response as how the taxation does not remove consumer choice, but rather (1) nudges consumers to make healthier choices (i.e. untaxed beverages), though they are still given the freedom to choose (2) in fact, aims to

increase variety of healthier products to choose from, if manufacturers choose to reformulate in response to tax.

### **“Tax hits poor people hardest”**

Response: SSB taxes are expected to provide health benefit to the poor more than the rich because the poor are more likely to respond to the price increase. SSBs taxes can be regressive only if the individuals continue to maintain their SSB consumption behavior. However, if it is the case, there is evidence indicated that if the revenue gained from the tax is allocated to pro-poor interventions, the financial burden on low-income households could be considerably diminished (Sassi F, 2018; [https://www.thelancet.com/journals/lancet/article/PIIS0140-6736\(18\)30531-2/fulltext](https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(18)30531-2/fulltext)).

### **Overcoming industry opposition**

Countries experience great challenges in SSB implementation from the undue pressure of the beverage industries. Beverage industry will do everything it can to avoid taxes, using well-financed and well recognized scare tactics. Common myths and claims relate to the impact on jobs, businesses, those on a low income, tax avoidance, revenues would not be spent as promised; and that “Government should not interfere with the personal choices of consumers”.

Opposition to taxation can be overcome with a well-planned campaign involving a broad coalition of supporters:

- i. Community leaders and health-oriented organizations to grassroots people and organizations.
- ii. The ability to respond to the beverage industry’s propaganda and deploy actual evidence.
- iii. Sufficient resources.
- iv. Inform populations of the truth of potential harm caused by the products and mobilize consumer shifts.

The experiences from countries such as the USA (in particular the city of Berkeley in California) and Mexico prove how policies can be progressed even amidst great industry opposition. The role of civil society and health professionals is critical, not only to counteract undue pressure from food and beverage companies, but also to monitor fiscal policies and ensure their appropriate implementation. (*Fiscal Policies for Diet and Prevention of Non-communicable Diseases, World Health Organization, 2015*)





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