

Curbing Ireland's Sweet Tooth: The Irish Excise Tax on Sugar Sweetened Beverages

Understanding the Reasoning, Implementation, and Efficacy

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Key Policy Points

- As of 7 January 2021, 45 countries, cities, and regions have implemented SSD taxes through excise, ad valorem, volumetric, and import taxes. On 1 May 2018, Ireland implemented the Sugar-Sweetened Drink Tax (SSDT) as the State's first version of an excise tax on water and juice-based SSDs based on the concentration of sugar per hectoliter.
- The impact of SSD taxes may take years to be represented in population health (obesity prevalence and chronic disease outcomes); therefore, long-term health and economic implications require more research in the coming years.
- Earmarking tax revenues from sugar-sweetened beverages can assist in funneling financial resources to public health initiatives and ensure transparency of tax revenues to improve the country and regional health outcomes further.
- Further research is required on the environmental impacts of SSD consumption and the potential benefits of SSDT on the environment, particularly water usage and carbon emissions.

Introduction

In the 21st century, the proportion of Ireland's population considered obese has risen from 18% in 2002 to 26% in 2019, ranking it as the country with the second-highest rate of obesity in the EU. Obesity is defined as a BMI of 30 or higher, and overweight is defined as BMI between 25 and 30. The breakdown of obesity within the population differs based on gender, age, and geographic location. The counties bordering Northern Ireland, Cavan, Donegal, Leitrim, Louth, Monaghan, and Sligo, have the

highest proportion of overweight residents (59% adults overweight, 30% obese). Gender was a significant determiner of differences in overweight adults (61% of males, 29% of females) but only differed by one percentage point in obesity (25% of males, 25% of females). Additionally, the highest rates of obesity were measured in individuals ranging from 65-74 years of age (McCárthaigh, 2021).

In the context of the EU, obesity is becoming an increasing public health problem because of the connection to chronic

diseases like cardiovascular disease, type II diabetes, and cancer. In an individual context, obesity can stress mental health significantly and lead to costs placed on the individual and society through healthcare and social resources usage. In Ireland, circulatory system diseases and cancer account for most deaths of all ages. In the population 65 and over, circulatory system diseases are the most prominent cause of death at 31% (Malone, 2019; Mitchell, 2019).

To combat obesity, the World Health Organization strongly recommends that intake of free sugars be limited to less than 10% of total energy intake and, as a conditional recommendation, lists limiting free sugar intake below 5% of total energy intake in the 2015 guidelines for sugars. These recommendations were based upon the association between poor diet and NCDs, the overall leading cause of death in 2012. The WHO further specifies the linkage between free sugars and increased body weight which serve as a specified risk factor for NCDs (*Sugars Intake for Adults and Children*, 2015). Through this logic, decreasing the intake of free sugars below WHO guidelines may effectively reduce the global burden of NCDs through a decrease in the prevalence of obesity. In terms of sugar-sweetened drinks (SSDs)*, the WHO associates the consumption of SSDs with an increase in overall energy intake and a possible reduction of intake of nutritionally beneficial calories (Mitchell, 2019; *Sugars Intake for Adults and Children*, 2015).

* Sugar-sweetened drinks are also referred to as sugar-sweetened beverages (SSBs), sugar sweetened drinks SSDs was chosen to stay

Before implementing the excise tax in 2014, the Institute of Public Health reported that over 411 million liters of sugary drinks were purchased in Ireland during the year, averaging consumption at 200 cans per person per year. The most common demographic to drink sugar-sweetened beverages was those aged 15-24, and 36% of those in the age group reported drinking sugar-sweetened drinks most days (Cullen, 2016). The heavy consumption of sugar-sweetened beverages in Ireland poses significant concerns regarding the healthy weight of the country's population. In addition, proposed interventions must target the younger demographic (15-24 years) with the highest proportion of sugar-sweetened drink consumption to reduce consumption effectively.

This impact evaluation of Ireland's excise tax on sugar-sweetened drinks provides new analysis of the global comparative context and effectiveness of the SSDT. Additionally, this report gives adapted evidence-based recommendations to the SSD excise tax in Ireland to increase impact.

Gaps in Literature

Given the connection between SSDs and NCDs and the impact of the policy, there is a lack of evidence on the effectiveness of SSDT in Ireland compared to other excise taxes. The ethics of SSDT on consumption and ethical concerns of SSDs must be addressed in the Irish context and a global

consistent with terminology used by Irish Tax and Customs

comparative context (*Sugary Drink Taxes Around the World*, 2020).

SSD production poses a high cost to environmental resources and carbon emissions, impacting the natural environment that requires more research. It is estimated that half a liter of regular soft drink requires 168-309 liters of water for production (Popkin & Ng, 2021).

Ireland's SSdT and Impact

Ireland's current excise tax is €16.26 per hectoliter of beverage containing 5-8 grams of sugar per 100 milliliters and €24.39 per hectoliter of drink containing over 8 grams or more per 100 milliliters (Excise Duty Rates 6. Sugar Sweetened Drink Tax, 2021). The original tax came into effect on 1 May 2018. It was updated eight months later, on 1 January 2019, to include protein and milk fat drinks, despite an exemption if drinks meet a threshold of 119 milligrams of protein per 100 milliliters Sugar-Sweetened Drinks Tax (*Sugar Sweetened Drink Tax (SSdT)*, 2021). The average estimate for consumers is approximately 25c, added to the cost per liter of soft drinks (Hosford, 2021).

During the first nine months of implementation, between 1 May 2018 and 1 February 2019, the tax produced revenue of €16.5 million. Although the revenue is significant, it is much smaller than the initial €30 million that was predicted (Horgan-Jones, 2019). In 2020, the tax generated €31 million, funds that flow into the general exchequer managed by the Department of Finance, which opposes efforts to earmark the revenues towards improving public health. The UK, which has a similar tax on SSDs, serves as a reminder that the goal is not

revenue but to encourage sugar reduction and change behavior. More research is required in Ireland, but the 28.8% drop in sugar in drinks serves as a hopeful example of the UK tax that Ireland hopes will be replicated (Hosford, 2021)

Regarding consumer behaviors, prior modeling anticipates that an increase of 10% in SSD will lower purchases by 10% (Popkin & Ng, 2021). Chronic disease and obesity prevalence take years to be represented on a population-wide scale. Therefore, it is not anticipated to see an effect on obesity or disease outcomes in Ireland as the tax is four years old (three and a half years when accounting for the adaptation in 2019). More research will be required in the coming years to determine the impact of the SSdT on diet, nutritional status, obesity prevalence, and chronic disease in Ireland.

Ethical Considerations

Critics of SSD taxation argue that the taxes limit the freedom to reason critically and are paternalistic. Additionally, opponents cite the idea that interventions should only be implemented to counter behaviors that may harm others, reasoning that individual poor diet only the individual is harmed (Goiana-da-Silva et al., 2020). The social burden, exhibited through health care costs and use of social resources, counters the argument that SSD consumption only places a burden on the individual. Through this logic the SSdT can be justified in liberal ideology by examining the negative societal implications of having an obese population (Goiana-da-Silva et al., 2020).

Goiana-da-Silva and colleagues (2020), specify five public health criteria for ethical

public health policy to determine if public health policy infringes upon the population's rights it is aimed to help. When applied to the implementation of SSB taxes, an approximately 10% increase in the price of SSBs is an ethical means of deterring consumers from purchasing the products because it does not infringe on individuals' abilities to purchase the product. SSD taxation upholds the ethical considerations specified by Goiana-da-Silvia and colleagues of minimal infringement on consumer rights, evidence of effectiveness, harm prevention to the community, the potential to use revenues transparently through earmarking, and having a progressive impact on the population.

Unlike direct taxes on consumers, Ireland's implementation of excise taxes on suppliers relies on the supplier to determine the appropriate price hike. Therefore, the impact on consumers is not directly controlled by the government or tax. This can be argued as more ethical as it is not directly interacting with the ability of the consumer to purchase (or not purchase) the beverage. Instead, suppliers are deterred from adding sugar to their drinks at high rates to avoid paying a higher level of the tax. Theoretically, this would result in a minimal price hike for consumers and a lower sugar concentration in beverages. This is effective in reaching the goal of altering sugar intake.

Future Research and Interventions

The way the revenue generated by the tax is allocated is also vital to achieving a healthier population. As recommended by the WHO, earmarking tax revenues when implementing public health taxes to further

the overall goals of the policies. Additionally, earmarking taxes related to health improves the transparency of the taxation process and revenues, creating a more appealing plan of action for politicians and the public (Fiscal Policies for Diet and Prevention of Noncommunicable Diseases, 2015). In Mexico, the Senate passed a resolution to use proceeds from the tax to improve access to clean water in schools, but as of 2017, there was little transparency to how the revenues were spent (Roache & Gostin, 2017). The example seen in Mexico represents how using payments would substantially benefit the population but missed an opportunity to use funds to help public health transparently. In the future, earmarking these taxes would be an effective means of increasing transparency and achieving the overall goal of reducing obesity through educational campaigns and healthy food subsidies, ensuring that the taxes are used to the benefit of the population and to address the public health goals (Fiscal Policies for Diet and Prevention of Noncommunicable Diseases, 2015; Roache & Gostin, 2017).

In 2019 it was reported that 76% of soft drink sales were exempt from sugar taxes due to the innovation in products to include sugar substitutes (Horgan-Jones). Although sugar intake awareness is a positive sign in advancing a health-conscious diet and behaviors, more research is required on the impact of sugar substitutes on health.

Additionally, further research is required on the environmental impacts of the SSDT in Ireland. Given Ireland's 411 million liters of SSDs consumed in 2014, based on these calculations and assuming the consumption was solely regular soft drinks, it would

require between 138.096 and 253.998 billion liters to produce the SSDs consumed in 2014 (Popkin & Ng; Cullen, 2016). Future research must investigate the impact that changes in SSD consumption have on the planet and ways to incentive supplies to reduce the industry's environmental footprint, similarly to how the SSST incentivizes suppliers to reduce sugar concentration through a multi-level tax.

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Endnotes

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