

Tax Working Group Public Submissions Information Release

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Sugary drinks health levy – a briefing for the Tax Working Group

The New Zealand Dental Association supports an excise tax, or health levy, on sugary drinks.

Introduction of this measure is consistent with World Health Organization (WHO) guidelines¹.

'Pigovian tax'

As English economist Arthur Pigou suggested², there are market activities that generate negative externalities, in this case health costs not included in the market price of sugary drinks. As with tobacco, excise taxes are used to combat increased public healthcare costs associated with tobacco use, sugary drink consumption leads to increased public health costs, which need to be considered.

New Zealanders spend an estimated \$257 million on sugar-sweetened beverages (SSBs) each year.

A reduction in consumption of SSBs via a tax will be greatest among households with the lowest disposable income, often households that face highest disease rates.

Dental costs on taxpayers

In the 2015/16 year, the number of children aged 0-12 years admitted to hospital for treatment due to tooth decay was 6,610 children, at a total cost of \$14.77 million³ (excluding GST).

DHB expenditure 2016/17⁴ (excluding GST):

\$101.08 million for dental services to pre-school and primary school children.

\$38.04 million for adolescents.

This was for universal comprehensive preventive and treatment services delivered in community settings, including pre-school and primary school children receiving services, mostly from dental therapists in Community Oral Health Service facilities and adolescents receiving dental care from dentists in private practice settings.

Damage caused by sugary drinks in New Zealand

There is a clear and alarming causal relationship between the consumption of sugary drinks and dental caries (tooth decay), weight gain, obesity, Type 2 Diabetes, cardiovascular disease, non-alcoholic fatty-liver, kidney disease and diet-related cancer⁵.

Children are particularly vulnerable to increased levels of free sugars in their diets from these drinks.

The WHO recommends that intake of free sugars ideally be reduced to less than 5% of total daily energy intake⁶.

The number one source of sugar in the diet for those aged 0-30 years comes from sugary drinks⁷.

¹ 'Fiscal policies for diet and the prevention of noncommunicable diseases' ISBN: 978 92 4 15112

<http://www.who.int/dietphysicalactivity/publications/fiscal-policies-diet-prevention/en/>

² The Concise Encyclopaedia of Economics <http://www.econlib.org/library/Enc/bios/Pigou.html>

³ Source: Ministry of Health, Oral Health Team, Sector Capability and Implementation, 15 March 2018.

⁴ Source: Ministry of Health, Oral Health Team, Sector Capability and Implementation, 15 March 2018.

⁵ Source: On Taxing Sugar Sweetened Beverages as a Public health Measure, John D Potter MBBS PhD Centre for Public Health Research, Massey University (2018)

⁶ WHO Guideline: sugars intake for adults and children (2015)

⁷ Source: University of Otago and Ministry of Health. 2011. A Focus on Nutrition: Key findings of the 2008/09 New Zealand Adult Nutrition Survey.

There has been an increase in hospital admissions due to dental decay in children and adolescents aged 0-19 years in recent years⁸.

Impact of tax on sugary drink producers

In the case of the UK, The UK government introduced an industry tax on sugar-sweetened drinks, from April 2018. There are two bands - one for soft drinks with more than 5g of sugar per 100ml, and a higher one for drinks with more than 8g per 100ml. Sugary drink producers in the UK acted ahead of the tax introduction by reducing the amount of sugar in their products, as there was a future financial incentive to do so⁹.

Impact of tax on consumers

In 2013, Mexico approved a 1 peso excise tax, (approximately 10% price increase), to non-dairy and non-alcoholic drinks with added sugar. A study published in journal *Health Affairs* shows purchases of taxed beverages decreased 5.5% in 2014 and 9.7% in 2015¹⁰.

The benefits of reduced sugary drink consumption due to a sugary drink tax

There is insufficient focus in reducing the dietary causes of dental caries in New Zealand, of which sugary drinks are a major contributor. Sugary drinks have no nutritional value, contribute empty calories, and have no place in a healthy diet. A reduction in the consumption of sugary drinks in New Zealand could have the following benefits for New Zealand and New Zealanders:

- Improved oral health through the reduction of the incidence of dental caries (a chronic and completely preventable disease).
- A healthier population – reduction in rates of obesity, Type 2 Diabetes, kidney and liver disease, cardiovascular disease and diet related cancer.
- Increased revenue generation.
- Decreased burden on our health sector.
- More attentive children who can focus on learning in the education sector.

Conclusion

There is unequivocal evidence that a diet high in sugar causes tooth decay, type 2 diabetes and contributes to weight gain. For the sake of our children, and the taxpayers of New Zealand, the NZDA urges the Tax Working Group to recommend a health levy on all sugary drinks sold in New Zealand.

For specific options on the details of such a health levy please see the Policy Brief: A Sugary Drink Tax for New Zealand. This was written by the New Zealand Beverage Guidance Panel.

<https://www.fizz.org.nz/pdf/NZBGP%20Policy%20Brief%20-%20Sugary%20Drink%20Tax%20for%20New%20Zealand%202017.pdf>

Please see Appendix 1 for a commentary on the recent introduction of a sugary drink levy in the UK:

<https://blogs.otago.ac.nz/pubhealthexpert/2018/04/03/and-now-the-brits-are-doing-it-a-sugary-drink-tax-levy-on-the-industry/>

⁸ Source: Ministry of Health. 2016. Annual Update of Key Results 2015/16: New Zealand Health Survey. Wellington: Ministry of Health.

⁹ Source: CNN Money, Soda wars: The UK's tax on sugary drinks is working, 9 March 2018.

¹⁰ "Health Affairs Web First: Mexico's Sugar-Sweetened Beverage Tax Shows Results," Health Affairs Blog, February 22, 2017. DOI: 10.1377/hblog20170222.058886

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