



## Soda wars: The UK's tax on sugary drinks is working

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Britain's new tax on sugary drinks won't come into effect for more than a year, but it's already working.

The government announced the new tax in 2016 as part of an effort to reduce childhood obesity, projecting that it would raise £520 million (\$632 million) in additional revenue.

But drinks companies, fearful that higher prices would damage their sales, aren't sitting back and waiting. They are instead working furiously to reduce sugar in their products.

The Office for Budget Responsibility predicts that only £380 million (\$462 million) in new tax funds will flow into government coffers as a result of the sugar cuts.

U.K. Treasury chief Philip Hammond said Wednesday that he was "delighted" to report that the government expected less revenue, acknowledging that such a feeling was unusual for a finance minister.

"Producers are already reformulating sugar out of their drinks, which means a lower revenue forecast for this tax," Hammond said.

Drinks with total sugar content above five grams per 100 milliliters will be subject to a tax of £0.18 (\$0.22) per liter under the rules, while the rate for

drinks with more than eight grams will be £0.24 (\$0.29) per liter.

The idea is that less sugar consumption will lead to better health outcomes -- especially for children.

Soda and drink producers are responding to the new rules.

In November, Lucozade Ribena Suntory said it will cut 50% of the added sugar in its products by July 2017, bringing all of its drinks below the five gram sugar tax threshold.

Coca-Cola ([KO](#)) has also stepped up its efforts, saying in October that it has over 200 reformulation initiatives underway globally to reduce added sugar.

It said it has already cut sugar and calories in brands such as Sprite and Fanta by 30% in the U.K.

PepsiCo ([PEP](#)) -- which also owns brands including Gatorade and Tropicana -- is also cutting the sweet stuff. It said two-thirds of its single serving drinks will have [100 or fewer calories by 2025](#).

The government is hoping the tax will help cut down childhood obesity rates in the U.K., which are amongst the highest in developed world. One in five English children is obese by the time they leave primary school, the government said.

Sugar plays a major role in childhood obesity, with sugary drinks being the single biggest source of dietary sugar for children and teenagers in the U.K.

"As shown by the downgrading of the Treasury's revenue expectations, the sugar levy is already working to spur reformulation of sugary drinks by manufacturers," said Shirley Cramer, the chief executive of the Royal Society for Public Health.