

# rethink sugary drink

## WHY AUSTRALIA NEEDS A HEALTH LEVY ON SUGARY DRINK MANUFACTURERS

February 2024

### OUR RECOMMENDATION

The leading public health organisations behind Rethink Sugary Drink are renewing their call for the Australian Government to introduce a 20% health levy on manufacturers of sugary drinks. Robust evidence shows that a health levy is a widely supported policy that can encourage manufacturers to reformulate their products and lower Australians' sugar consumption. Australia lags behind more than 100 countries across the globe that have already introduced similar policies.

Evaluations of these policies show that a health levy on sugary drinks can help improve diets and oral health while reducing rates of obesity and preventing tooth decay. The policy is also expected to increase health equity in Australia and raise \$967–\$1,033 million in government revenue per year. The Rethink Sugary Drink Alliance is calling for this revenue to be reinvested into obesity prevention and other population health initiatives.

### DIET, OVERWEIGHT AND OBESITY IN AUSTRALIA

Rates of overweight and obesity in Australia are significant and prevalence of obesity is continuing to increase.<sup>1</sup> In 2022, nearly two in three Australian adults and one in four children were overweight or obese.<sup>1</sup> Children who are overweight or obese are more likely to be overweight or obese in adulthood, putting them at increased risk of chronic disease and premature mortality.<sup>2</sup>

While tobacco use remains the leading contributor to disease burden in Australia, it is estimated that overweight and obesity will be the leading risk factor of ill health and death by 2025 if left unchecked.<sup>3</sup> Research has established that being above a healthy weight increases a person's risk of chronic diseases such as type 2 diabetes, heart disease, stroke, kidney disease and cancer.<sup>4</sup> In 2018–19, the cost of overweight and obesity in Australia on our health system was estimated to be \$4.3 billion.<sup>5</sup> These costs will continue to build in line with rising rates of overweight and obesity.

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There is increasing evidence that high intake of free sugars<sup>ii</sup> is associated with being above a healthy weight.<sup>6</sup> The World Health Organization recommends adults and children limit free sugars to less than 10% of their total daily energy intake, or 5% for the greatest health benefit.<sup>7</sup> On average, this equals about 25–50 grams of free sugars per day for an adult. But in 2011–12, Australians consumed an average of 60 grams of free sugars per day.<sup>8</sup> Just over half (52%) of free sugars in the diet came from sugary drinks, with the leading beverages being soft drinks/electrolyte/energy drinks (19%), fruit and vegetable juices (13%) and cordial (5%).<sup>9</sup>

## THE HEALTH IMPACTS OF SUGARY DRINKS

Sugary drinks are non-alcoholic beverages containing free sugars. These include soft drinks, energy drinks, fruit juices and nectars, flavoured milks, vitamin waters, sweetened iced teas, and cordials.

Most of these drinks offer little to no nutritional value but are high in both energy and sugar – one 600mL bottle of soft drink can contain 64 grams (or 16 teaspoons) of sugar, which is more than the daily sugar intake recommended by the World Health Organization. Liquid foods are less satiating than solid foods, and consumers of sugary drinks do not offset these calories by eating less, which can lead to excess weight gain.<sup>10</sup> Sugary drinks can also affect taste preferences, particularly among children, enhancing their preference for sweet foods.<sup>11</sup>

High and frequent intake of these drinks may lead to other adverse health outcomes, independent of overweight and obesity, such as type 2 diabetes, cardiovascular disease, stroke, and chronic kidney disease.<sup>12,13</sup> Consumption is also linked to an array of oral health issues, including dental caries and erosion.<sup>14</sup>



## AUSTRALIANS CONSUME A LOT OF SUGARY DRINKS

Despite these well-documented health risks, sugary drinks are widely consumed in Australia.<sup>15</sup> Data from 2017–18 found that 36% of adults and 41% of children consume sugary drinks at least weekly, with 9% of adults and 6% of children consuming them daily.<sup>16</sup> The highest consumers are young men (aged 18–24), with 62% consuming sugary drinks daily.<sup>17</sup>

Sugary drink consumption is socially patterned and more widespread among select community groups. In 2017–18, Australian adults living in low socioeconomic areas were three times as likely to have consumed sugary drinks daily than those in high socioeconomic areas.<sup>18</sup> Those living in outer regional and remote areas were also almost twice as likely to consume sugary drinks daily (14%) than those living in major cities (8.3%).<sup>19</sup> In 2018–19, around 7 in 10 Aboriginal and Torres Strait Islander adults and 6 in 10 children consumed sugary drinks or diet drinks at least once a week.<sup>20</sup>

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## WHY WE NEED A HEALTH LEVY ON MANUFACTURERS OF SUGARY DRINKS IN AUSTRALIA

The leading health organisations behind Rethink Sugary Drink are calling for the Australian Government to follow the lead of over 100 other countries around the world that have introduced a health levy on sugary drinks. Taxes have been successfully employed in Australia to help discourage consumption of other harmful products, notably tobacco and alcohol. Robust evidence shows that a health levy on sugary drinks can also encourage manufacturers to reformulate their products and lead to a drop in purchases and consumption of free sugars.

Oral health, diets, overweight and obesity are most effectively addressed through a broad, comprehensive suite of measures, including a health levy on manufacturers of sugary drinks.<sup>21</sup>

### **1) Reformulated beverages, improved diets, and prevented chronic disease**

New research by the Australian Medical Association shows that a 20% health levy on sugary drinks could reduce Australians' sugar consumption by 2.6 kilos – or approximately 650 teaspoons – per person, per year.<sup>22</sup>

Other modelling studies estimate that a 20% health levy has the potential to reduce obesity by 2.7% in men and 1.2% in women.<sup>23</sup> Over 25 years, there would be an estimated 16,000 fewer cases of type 2 diabetes, 4,400 fewer cases of heart disease and 1,100 fewer strokes in Australia.<sup>24</sup>

Young people and low-income earners are most responsive to beverage price changes and would be likely to gain the largest health benefit from the levy.<sup>25</sup> Evidence also shows that health levies encourage industry reformulation of sugary drinks. For example, widespread



reformulation was observed in the UK following the announcement of a health levy in 2016.<sup>26</sup>

### **2) More health equity and less dental cavities**

A health levy on sugary drinks could also help promote health equity in Australia, improve oral health and reduce the incidence of dental cavities. A recent study estimated that a 20% health levy will prevent 510,977 cases of tooth decay within 10 years.<sup>27</sup> It also shows that the policy will help promote health equity, with Australians from low socioeconomic backgrounds being most likely to experience the healthcare savings and health benefits resulting from a health levy.<sup>28</sup>

### **3) Increased revenue for public health initiatives**

A health levy on sugary drinks will also reduce Australians' healthcare costs while raising revenue for governments.<sup>29</sup> These saved funds could be spent on further initiatives to tackle obesity and other public health initiatives. New modelling by the Australian Medical Association indicates that a 20% levy on sugary drink manufacturers would raise annual revenue of \$967–\$1,033 million.<sup>30</sup> The cost impact

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of the levy on Australian households is small, with minimal expenditure differences expected between higher and lower income households.<sup>31</sup>

#### **4) Strong public health and community support across Australia**

There is also strong public support for a levy on sugary drinks in Australia. A national survey conducted in 2017 showed that 77% of Australians supported a tax on sugary drinks if the proceeds were used to fund obesity prevention initiatives.<sup>32</sup> A separate study found 69% of Australian grocery buyers supported a levy if the revenue was used to reduce the cost of healthy foods.<sup>33</sup>

A health levy is also endorsed by many public health groups, national policy frameworks, and international bodies. This includes the Australian Council of Social Services and the World Health Organization, who released a global tax manual for sugary drinks in 2022.<sup>34</sup> The National Obesity Strategy also recommends that Australian governments consider policy approaches that use price to reduce consumption of sugary drinks.<sup>35</sup>

#### **COUNTRIES THAT ALREADY HAVE A HEALTH LEVY IN PLACE**

Australia is lagging behind more than 100 countries across the world, covering half of the world's population, that have implemented a health levy on sugary drinks.<sup>36</sup> These international examples demonstrate that a health levy can encourage manufacturers to reduce sugar in their products, leading to a decline in sugar consumption and a wider variety of low and no sugar drink options.



#### **United Kingdom**

The United Kingdom introduced a levy on sugary drinks in 2018, based on the amount of sugar in drinks. Manufacturers responded to the levy by reformulating their products to contain sugar contents below the tax thresholds.<sup>37</sup> The reformulation was the equivalent of removing a total of 45 million kilograms of sugar from soft drinks each year.<sup>38</sup> It has also been found that the UK's health levy was associated with an 8% reduction in obesity prevalence among year 6 girls, equivalent to preventing 5,234 cases of obesity per year in this group alone.<sup>39</sup> In a year, from 2021–22, the UK's health levy generated £334m in revenue.<sup>40</sup>

#### **Mexico**

Mexico introduced a tax on sugary drinks in 2014, increasing the cost of soft drinks by about 10% and other sugary drinks by a smaller amount.<sup>41</sup> By 2016, there was a 37% reduction in the total volume of sugary drinks purchased compared to the year before the levy was introduced,<sup>42</sup> with the greatest reductions seen in low-income households and among those who previously purchased high amounts of

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these products.<sup>43,44</sup> Over 10 years, this policy is predicted to prevent 239,900 cases of obesity, including over 93,000 cases of childhood obesity.<sup>45</sup> Studies have also suggested the tax had a positive impact on Mexicans' oral health, with less patient visits for dental cavities recorded in the post-tax period.<sup>46</sup>

## South Africa

South Africa passed a tiered Health Promotion Levy on Sugary Beverages of 2.1 cents per gram of sugar (average of 10%) in 2018. Average household purchases of carbonated drinks fell by 29% after the levy was introduced. The amount of sugar purchased in these drinks fell by 51%.<sup>47</sup>



## ABOUT RETHINK SUGARY DRINK

Rethink Sugary Drink is an alliance of leading public health and community organisations that are committed to tackling the consumption of sugary drinks in Australia.

For more information, visit [www.rethinksugarydrink.org.au](http://www.rethinksugarydrink.org.au)



## ENDNOTES

- i. The Rethink Sugary Drink alliance acknowledges that a person's health is shaped by the social, economic, cultural, and environmental conditions in which they live. A high cost of living and food insecurity both contribute to a lack of healthy, nutritious options for those living in poverty, which can lead to poor health outcomes related to obesity.
- ii. Free sugars are defined by the World Health Organization as "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."

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