HM Treasury

The soft drinks industry levy

Childhood obesity: what's the problem?

- **Childhood obesity is a national problem**. The UK currently has one of the highest overall obesity rates amongst developed countries. In England 1 in 10 children are obese when they start primary school, and this rises to 2 in 10 by the time they leave. The evidence shows that 80% of children who are obese in their early teens will go on to become obese adults
- **Obesity has costs both to individuals, and to society**. The estimated indirect cost to the UK economy from obesity is approximately **£27 billion**, in addition to the direct cost to the **NHS that spends over £5bn a year** on obesity-related treatments.
- Obesity is also one of the major risk factors **for type 2 diabetes**, which accounts for spending of £8.8 billion a year, almost 9% of the NHS budget.

What's wrong with added sugar soft drinks?

- **Sugar consumption** is a major factor in childhood obesity, and sugar-sweetened soft drinks are now the **single biggest source** of dietary sugar for children and teenagers.
- A single 330ml can of cola can contain **9 teaspoons of sugar**, which is more than a child's daily recommended intake of added sugar, often without any other intrinsic nutritional value.
- Public health experts have identified sugar-sweetened beverages as a major factor in the overconsumption of sugar, and **a cause of childhood obesity**. The Chief Medical Officer has said that reducing sugar content and portion sizes is a public health priority.
- **Over 60 public health organisations** have called for a tax on sugary drinks. Public Health England, The British Medical Association, The Royal Society for Public Health, and the Commons Health Select Committee, are all in favour of a charge.

How does the new levy work?

- The Chancellor has announced a new levy from April 2018 **aimed at the producers and importers of added sugar soft drinks**. It will exclude small operators.
- The levy is designed to **encourage producers to reformulate their overall product mixes** by (1) reducing added sugar content, (2) helping their customers to choose low sugar and sugar-free brands, and (3) reducing the portion sizes for high sugar drinks.
- The levy will apply to **soft drinks with added sugar** but will **exclude milk-based drinks**, which contain vitamins, calcium and other nutrients vital to children's health. It will not apply to pure fruit juices with no added sugar.
- Alcoholic drinks cannot be purchased by children, and are already subject to alcohol duty and therefore are not in scope of this levy.

- The levy is expected to **raise around £1.5bn over the first 3 years** by making soft drinks companies pay a charge on added sugar drinks with total sugar content above 5 grams per 100 millilitres. There will be a higher charge for drinks that contain more than 8 grams per 100 millilitres.
- Soft drinks companies can pay less tax if they **change their approach** on sugary drinks - they don't have to shift the tax onto consumers. In recent years Tesco, Robinsons and many others have taken steps to reduce the overall levels of added sugar in their drinks, but the levy will create stronger incentives for action.
- The independent Office for Budget Responsibility expects that **producers will change their behaviour** as a result of this levy, which will mean that the consumption of high added sugar soft drinks should fall over time.
- We will **consult** over the summer on some of the detail, including ensuring that we capture the products we want to target and that we exclude smaller companies from the charge. The levy rates will be announced after consultation and we will **legislate in Finance Bill 2017**, with **implementation expected from April 2018** onwards.

What is the money going to be spent on?

- In England, revenue from the soft drinks industry levy over the scorecard period will be used to **double the PE and sport premium for primary schools**, expand **school breakfast clubs** and support more secondary schools to offer a longer school day, including **more sport**. The Barnett formula will be applied to spending on these new initiatives in the normal way.
- We will double the dedicated funding going to primary school sport by increasing the **PE and primary school sport premium** from £160m a year to £320m from September 2017.
- Schools will have the funding to **increase the hours of sport children** do, as well as improve the quality and variety of school sport. The premium, introduced in 2013, is funding that goes directly to primary school head-teachers who decide how best to use it to provide PE and sporting activities for pupils, in order to help school children develop healthier, more active lifestyles.
- We will provide funding to support 25% of **secondary schools** to offer a **longer school day**, enabling schools to offer a wider range of afterschool activities, including more sport.
- We will also provide £10m of funding to expand **breakfast clubs** in up to 1,600 schools starting from September 2017 to ensure more children have a nutritious breakfast as a healthy start to their school day.