

## **The Institute of Fiscal Studies' verdict on a sugary drink tax**

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On Feb 8, 2016, the influential Institute for Fiscal Studies (IFS) released its annual Green Budget—a report aimed at informing the government's March budget.(1) For the first time, their budget report discusses a sugary drink tax and concludes that “the efficacy of [a sugary drink tax] will depend on what products [consumers] switch to and how firms change their prices”. The IFS warns that a sugary drink tax could lead to consumers switching to chocolate or that prices of diet drinks could rise thereby weakening the tax's impact on health.

The IFS have based their conclusions on economic theory without reference to the evidence gathered from the evaluation of sugary drink taxes introduced in Mexico, Hungary, Finland, France, and Berkeley (CA, USA). Findings from Mexico show that a sugary drink tax of about 10% introduced in 2014 resulted in an average reduction of 6% in sugary drink sales across the year, increasing to a 12% reduction in December, 2014, with greater reductions in lower socioeconomic groups.(2) Sales figures from Hungary, Finland, and France have also shown measurable decreases in sales of sugary drinks.(3)

Consumption of sugary drinks results in the addition of non-satiating calories to the diet, with little reduction in consumption elsewhere in the diet.(4) This finding suggests that reducing consumption of sugary drinks is unlikely to lead to increases in consumption of substitute food products such as chocolate. Moreover, there is strong evidence that consumption of sugary drinks is associated with obesity, diabetes, dental caries, and cardiovascular disease, with the effects on diabetes and dental caries being independent of total calorie intake.

Evidence from Mexico and Berkeley suggest that taxes of sugary drinks do not influence the price of substitute products such as diet drinks. In Mexico, prices of sugary drinks increased by more than 10% (ie, more than a 100% tax pass-on rate), whereas prices of diet drinks were unaffected.(5) Additionally in Berkeley, prices of sugary drinks increased by 0.47 cents per ounce (about a 50% tax pass-on rate), although diet drink prices were unaffected.(6)

The IFS's Green Budget correctly notes that a sugary drink tax alone will not result in the UK population reducing sugar consumption to meet the target level. But as Public Health England's sugar reduction report recently suggested.(7) this tax could play an important part in a cadre of interventions at the population level. Evidence of the effectiveness of the implementation of sugary drink taxes is available and it is disappointing that the IFS overlooked this evidence in its Green Budget.

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