

Why tax sugary drinks?

2023

#Sickly-Sweet
AMA



OVERVIEW

Sugar-sweetened beverages contain large amounts of free sugars — 8–12 teaspoons (33–50 grams) of sugar in the average 375 mL can of soft drink.¹ This is more than the daily recommended amount of sugar in just one drink, delivering a high number of liquid calories but providing almost no nutritional benefit.² This category of beverage typically includes carbonated and non-carbonated fruit, dairy/milk, sport, energy and cordial drinks containing free sugars, and excludes alcoholic and artificially-sweetened (diet) drinks.

In 2019–20, Australians consumed an average of 70 grams of free sugar a day, with over a quarter (18 grams) of this attributed to sugar-sweetened beverages.³ The Australian Medical Association (AMA) estimates that every year, Australians consume more than 2.4 billion litres of sugar-sweetened beverages, which is enough to fill 960 Olympic sized swimming pools.⁴ Research shows that 36 per cent of adults and 41 per cent of children consume sugar-sweetened beverages at least weekly, with nine per cent of adults and seven per cent of children consuming them daily.⁵ In Australia, young males are the biggest consumers.⁶

Frequent consumption of sugary drinks is associated with a range of health problems, such as poor dental health and obesity — a major risk factor for chronic diseases like type 2 diabetes, heart disease, stroke, and cancer.⁷ There is also a strong association between consumption of sugar-sweetened beverages and chronic diseases, in particular type 2 diabetes and heart disease, independent of weight gain and obesity.^{8,9} These conditions, many of which are preventable, have a significant impact on our healthcare system and broader economy.

To help address this issue, the AMA is calling for a tax on a subset of sugar-sweetened beverages — all non-alcoholic drinks containing free sugars, excluding 100 per cent fruit juice, milk-based and cordial drinks. The focus is drinks that provide no nutritional benefit.

Since the launch of the AMA's original report [*A tax on sugar-sweetened beverages: Modelled impacts on sugar consumption and government revenue*](#) in June 2021, another 40 countries and jurisdictions have implemented some form of tax on sugar-sweetened beverages, with Australia now lagging behind more than 85 countries and jurisdictions across the world.¹⁰ Evaluations undertaken since the launch of the original report further demonstrate the impact a tax has on reducing obesity and chronic disease, and improving oral health.^{11,12,13,14} Additionally, in December 2022, the World Health Organization released its first-ever [*global tax manual for sugar-sweetened beverages*](#), which highlights the experiences of countries who have successfully implemented a tax on sugar-sweetened beverages and provides a guide including considerations and strategies for countries to develop, design and implement a tax.¹⁵ Despite this overwhelming evidence and public support for a tax in Australia, political support is currently limited, however the AMA will continue to campaign to put this issue on the Australian political agenda.



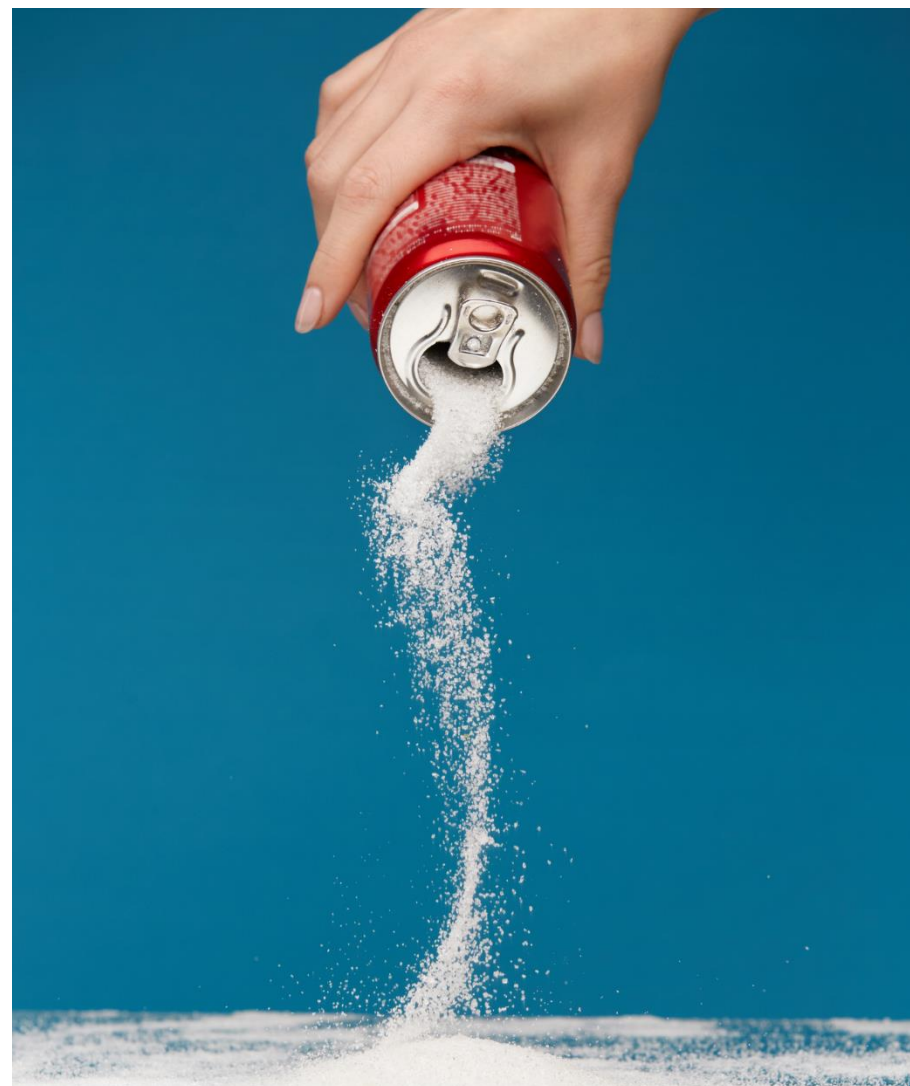
IMPACT ON HEALTH AND WELLBEING

Obesity and chronic disease

Overweight and obesity is the second biggest modifiable risk factor contributing to the burden of disease in Australia, after tobacco.¹⁶ Rates of obesity in Australia have been increasing for at least 25 years, with 31 per cent of Australian adults and 8 per cent of children considered obese.¹⁷ Australia now has the seventh highest proportion of overweight or obese people (aged 15+) among our Organisation for Economic Cooperation and Development (OECD) neighbours.¹⁸

Alarmingly, the prevalence of obesity in Australia is expected to increase, with projections suggesting that a third of the adult population will be obese by 2025. There is even some evidence to suggest that overweight and obesity is set to overtake tobacco as the major cause of preventable death in Australia.¹⁹ The scale of the obesity crisis is not surprising given the significant consumption of unhealthy foods and drinks in Australia due to their wide availability and affordability. Sugar-sweetened beverages in particular are a major contributor to the obesity crisis, with studies showing a strong association between consumption of these drinks and obesity.²⁰ This is confounded by low levels of physical activity and limited population understanding of what is in food and drink products and what constitutes a healthy diet.²¹

Obesity is a major risk factor for chronic and preventable conditions including type 2 diabetes, heart disease, hypertension, stroke, gall bladder disease, osteoarthritis, sleep apnoea and respiratory problems, mental health disorders and some cancers (including endometrial, prostate, breast and colon).²² This not only diminishes the health and wellbeing of Australians, but places a huge financial burden on our health system, in particular our public hospitals. In 2021, the AMA estimated that if no action is taken to stem the obesity crisis, by 2025 taxpayers will have paid a further \$29.5 billion (over four years) for the direct healthcare costs of obesity and the associated chronic diseases.²³ From a health perspective, it is far better to prevent obesity in the first place than try to manage it once established.





Oral health

Sugar-sweetened beverages also have a significant impact on oral health, as regular consumption is associated with dental caries/cavities (tooth decay) and erosion.²⁴ Dental caries occur when the bacteria on teeth metabolise the sugars and produce acid, which demineralises the hard tissues of the teeth (enamel and dentine), whereas dental erosion occurs when the acid in sugar-sweetened beverages directly demineralises the enamel and dentine.²⁵ High consumption of sugar-sweetened beverages can also lead to periodontal (gum) disease, oral infections, oral cancer, and other oral conditions.²⁶

The dental health of Australian children

In the latest Australian Institute of Health and Welfare (AIHW) report on oral health and dental care in Australia, it was found that around four in 10 (42 per cent) of children aged 5–10 have dental caries in their deciduous ('baby') teeth, with one in four (27 per cent) children in this age group having deciduous tooth with untreated decay.²⁷ The report also found that one in four children aged 6–14 (24 per cent) have decay in their permanent teeth, and one in 100 children in this age group have at least one permanent tooth missing due to dental caries.²⁸ The report found that oral health was worse in Indigenous children, children from low-income households, and children living in remote areas.²⁹

The dental health of Australian adults

Most Australian adults have some dental decay, with the AIHW revealing that Australian adults aged 15 years and over have an average of 11.2 decayed, missing and filled teeth, and one in three (32 per cent) of adults in this age group have at least one tooth with untreated dental decay.³⁰ Adults in this age group had an average of 4.4 teeth missing due to dental decay and periodontal disease.³¹ The average number of teeth affected by dental caries per person in Australia increased with age, from an average of 4.1 in 15–34 year olds to 10.3 in 35–54 year olds, 19.4 in 55–74 year olds and 24.4 in people aged 75 and older.³² While an increase in dental decay is to be expected as people age, sugar-sweetened beverages are an accelerating factor.

IMPACT OF A TAX

When a tax on food or drink is introduced, it sends a signal that the product is unhealthy while also creating a disincentive to purchasing it. It also encourages manufacturers to reformulate their products.

The AMA has modelled the impact of an excise tax on select sugar-sweetened beverages based on sugar content, set at \$0.40 per 100 grams of sugar (per unit of product).³³ This aligns with the World Health Organization's recommendation that a tax on sugar-sweetened beverages would need to raise the retail price by at least 20 per cent in order to have a meaningful health effect.³⁴ Under the proposed tax rate, the amount of tax paid on a 375 mL can of soft drink with 40 grams of sugar (sugar content of 10.6 grams per 100mL) would be \$0.16.³⁵

Modelling indicates that a tax on select sugar-sweetened beverages would reduce consumption by 12 to 18 per cent, which is 27,596 to 43,804 tonnes of sugar, and raise annual government revenue of \$814 million to \$749 million. Previous Australian modelling estimated that a tax on sugar-sweetened beverages would result in a 12.6 per cent decrease in sugar-sweetened beverage consumption, resulting in a decline in the prevalence of obesity of 2.7 per cent in men and 1.2 per cent in women.³⁶ After 25 years, it was estimated that the tax would result in 16,000 fewer cases of type 2 diabetes, 4,400 fewer cases of heart disease, and 1,100 fewer persons living with the consequences of stroke. Health expenditure savings would total \$609 million to \$1.73 billion.³⁷

The proposed tax would have minimal impact on cost of living, as the majority of the population has an affordable alternative to sugar-sweetened beverages in the form of tap water. In areas where there are barriers to safe water, this would need to be addressed, as all Australians should have the right to clean, safe, and reliable drinking water. Overall, Australian surveys have consistently shown majority support for a tax on sugar-sweetened beverages, with 60 per cent of Australians supporting a tax, and 77 per cent supporting it if the revenue raised is used to further fund obesity prevention.³⁸

The proposed tax would also have minimal impact on Australian sugar cane farmers, as only 20 per cent of their total production is consumed in Australia (80 per cent is exported),³⁹ and of this only 5.3 per cent goes towards the manufacturing of domestic sugar-sweetened beverages.⁴⁰ Under the proposed tax, it is estimated that there would only be a 0.64 to 1.01 per cent drop in demand for domestic sugar production, which is within the limits of normal volatility in the industry. It is therefore unlikely that government assistance packages would be required, although small farmers that mainly supply the domestic market may require additional supports.⁴¹

A tax on sugar-sweetened beverages is only the first step, and should be implemented alongside a range of other preventative health initiatives as part of broader obesity strategy, which could be funded by the revenue raised by the tax. Other activities could include:

- education to improve nutrition literacy
- improved product labelling
- subsidised fruits and vegetables
- promotion of physical activity
- addressing water and food insecurity
- building safeguards against unhealthy food and drink products into regulatory systems.

Australia is lagging behind more than 85 countries and jurisdictions across the world who have already implemented taxes on sugar-sweetened beverages.⁴² While political support for a tax on sugar-sweetened beverages is currently limited, the AMA will continue to campaign and demonstrate community support to put this issue on the Australian political agenda.

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