

Soft-drink tax worth its weight in lost kilos

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Credit: Xi Zhang

A tax on sweetened soft drinks could be an effective weapon in the war against obesity, generating weight losses of up to 3.64 kilograms as individuals reduce their consumption.

Researchers from Monash University, Imperial College London and University of York and Lancaster University, England have estimated the extent to which drinking habits would change if beverages such as carbonated non-diet soft drinks; cordials and fruit drinks were taxed.

Lead author Dr Anurag Sharma, of the Centre for Health Economics at Monash University, said such a [tax](#) could have important policy and welfare implications.

"Many nutrition experts think that consumption of sweetened beverages may be the single largest driver of the obesity epidemic," Dr Sharma said.

"Taxes on unhealthy foods are attractive because they not only generate tax revenue that can be used for [public health care](#), they also promise health benefits for individuals."

Soft-drink taxes already apply in some countries,

and many US states tax carbonated drinks at an average rate of 3.5 per cent.

A more substantial tax would be needed to reduce consumption rates, Dr Sharma said. The researchers compared the effects of a 20 per cent sales tax and a 20 cents per litre volumetric tax, assessing the impact on all income groups.

Although both taxes would be regressive, representing a greater proportion of lower incomes than higher ones, the proposed rates would keep this effect mild, Dr Sharma said.

A 20 per cent sales tax would raise annual costs per person by about \$15 to \$17. But in weight-loss terms, average consumption would drop by more than 10,000 kilojoules a quarter, with about one third of a kilo coming off on the scales. Those who had been heavier consumers would lose more – between 1 and 2 kilos.

"In absolute terms, the difference in tax over a year can be considered negligible, but the weight change could be significant, making these changes very cost-effective," Dr Sharma said.

The effect would be even more striking if a 20 cents per litre volumetric tax were applied. While still imposing a relatively low tax burden, it could lead to weight reductions of up to 3.64 kilograms in middle-income heavy consumers of sweetened beverages.

This was chiefly because although a [sales tax](#) would have a bigger effect on the price of single bottles, a volumetric tax meant those buying large quantities or discounted multipacks would face much steeper price increases.

The findings are published in *Health Economics*. The research was funded by the Australian Research Council and data was provided by VicHealth.

More information: Sharma, A., Hauck, K., Hollingsworth, B. and Siciliani, L. (2014), "THE

EFFECTS OF TAXING SUGAR-SWEETENED BEVERAGES ACROSS DIFFERENT INCOME GROUPS." *Health Econ.* doi: 10.1002/hec.3070

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