

## **Tax Working Group Public Submissions Information Release**

### **Release Document**

**September 2018**

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

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## **Frucor Suntory New Zealand Ltd. Submission to the Tax Working Group**

This is a submission from Frucor Suntory NZ Ltd to the Tax Working Group.

The Working Group has indicated that it will consider expanding the scope of behavioural taxes as part of its review, calling out sugary drinks in particular.<sup>1</sup>

Frucor Suntory supports the Government's efforts to address obesity and related illness, but opposes the taxation of sugar-sweetened beverages (SSBs). There is insufficient evidence to show that taxes on SSBs, as a small portion of overall energy intake, will positively impact health outcomes for New Zealanders.

We submit that the Working Group recommends against implementing a sugar tax.

### **About Frucor Suntory**

Frucor Suntory produces, markets and distributes a range of fruit juices, fruit drinks, sports drinks, energy drinks, waters and carbonated soft drinks. Based in South Auckland, Frucor Suntory employs 800 people in New Zealand and is a significant contributor to the local and national economies.

Frucor Suntory is a member of the New Zealand Beverage Council (NZBC) and supports its submission to the Working Group.

### **Sugar sweetened beverages and obesity**

Almost one in three adult New Zealanders is obese.<sup>2</sup> This is a significant problem without a single cause or a simple solution. Obesity is basically the result of too much energy in and not enough out.<sup>3</sup> Sources

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<sup>1</sup> Future of Tax Submissions Background Paper *available at* <https://taxworkinggroup.govt.nz/sites/default/files/2018-03/twg-subm-bgrd-paper-mar18.pdf> (last accessed 30.04.2018) "New Zealand does, in a few selected cases, deliberately incentivise or discourage particular behaviour (for example, tobacco and alcohol excise tax). Recently there have been calls for further exceptions – in particular for sugary drinks."

<sup>2</sup> <https://www.health.govt.nz/our-work/diseases-and-conditions/obesity> (last accessed 12.04.2018) New Zealand has the third highest adult obesity rate in the OECD, with almost 1 in 3 adult New Zealanders (over 15 years) being obese, and 1 in 10 children

<sup>3</sup> WHO, "Obesity and Overweight" (February, 2015), *available at* <http://www.who.int/mediacentre/factsheets/fs311/en/> (accessed 12 April, 2018) ("The fundamental cause of obesity and overweight is an energy imbalance between calories consumed and calories expended.").

of energy vary, and include sugar. But with SSBs accounting for just 1.6% of a New Zealand adult's daily energy intake, they make up a small fraction of the total intake.<sup>4</sup>

In fact, for the past 10 years, SSB consumption has declined as consumers look towards healthier low and no kilojoule options.<sup>5</sup> Yet health academics and campaigners continue to pressure governments to introduce taxes on SSBs – despite the lack of conclusive, empirical evidence that they actually improve health outcomes.

The problem is that taxation does not always change underlying behaviour. While tobacco excise taxes may have reduced smoking rates, there is no guarantee a tax on SSBs will lead to decreased consumption because SSBs can “easily be substituted for other sugary foods such as cakes and biscuits, and alcoholic beverages, which have a negative societal impact”.<sup>6</sup>

Singling out soft drinks alone will not solve the obesity problem, given the small proportion of kilojoules they contribute in the average diet.

### **International experience**

Research into sugar taxes in Mexico, Denmark and several US states shows that taxes on SSBs are not effective in achieving their stated health goals of reducing obesity and related illness.

The 2017 New Zealand Institute of Economic Research (NZIER) report to the Ministry of Health concluded that “the evidence that sugar taxes improve health is weak”.<sup>7</sup> NZIER assessed 47 peer-reviewed studies and working papers on sugar taxes published in the past five years and found none of them “has identified an impact on health outcomes”.<sup>8</sup>

Similarly, the 2016 report by the International Tax and Investment Center and Oxford Economics entitled “*The Impact of Selective Food and Non-Alcoholic Beverage Taxes*,”<sup>9</sup> found that governments seeking to introduce sugar taxes do so in a highly speculative context.<sup>10</sup>

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<sup>4</sup> New Zealand National Nutrition Survey 2008/2009 *available at* <https://www.health.govt.nz/system/files/documents/publications/a-focus-on-nutrition-v2.pdf> (last accessed 13.04.2018)

<sup>5</sup> New Zealand Beverage Council, “A Look Inside NZ Fridges” (2016) *available at* [http://www.nzbc.nz/myfiles/Wright\\_Beverage\\_Infographic\\_23.pdf](http://www.nzbc.nz/myfiles/Wright_Beverage_Infographic_23.pdf) (last accessed 13.04.2018). Sales of low and no-calorie soft drink options increased by 67% between 2008 and 2016.

<sup>6</sup> Cadence Economics, “Fat Chance: Why Sugar taxes won’t work,” Menzies Research Centre (2018) *available at* [https://docs.wixstatic.com/ugd/ab5c75\\_c576ffb9c0804623844949dd4568a142.pdf](https://docs.wixstatic.com/ugd/ab5c75_c576ffb9c0804623844949dd4568a142.pdf) (last accessed 12.04.18)

<sup>7</sup> New Zealand Institute of Economic Research, “Sugar Taxes: A Review of the Evidence,” (August 2017) *available at* [https://nzier.org.nz/static/media/filer\\_public/f4/21/f421971a-27e8-4cb0-a8fc-95bc30ceda4e/sugar\\_tax\\_report.pdf](https://nzier.org.nz/static/media/filer_public/f4/21/f421971a-27e8-4cb0-a8fc-95bc30ceda4e/sugar_tax_report.pdf) (last accessed 13.04.2018)

<sup>8</sup> *Ibid.*

<sup>9</sup> Oxford Economics and International Tax and Investment Center, “The Impact of Selective Food and Non-Alcoholic Beverage Taxes” (June, 2016), *available at* <http://www.oxfordeconomics.com/my-oxford/projects/341055> (last accessed 12 April, 2018).

<sup>10</sup> *Ibid.*

Furthermore, the McKinsey Global Institute's 2016 Report found that taxing sugar is one of the least effective interventions in combating obesity and that the science supporting taxation as an effective policy intervention was deemed weak.<sup>11</sup>

According to the McKinsey study, the most effective ways to combat obesity include reformulating drinks, offering smaller portion sizes and providing better education, all of which Frucor Suntory is committed to supporting.

### **Voluntary measures**

Frucor Suntory is committed to helping address some of the health challenges facing the community and has already taken practical, voluntary action to encourage healthier beverage choices, including:

1. Developing and making available more beverage options with fewer kilojoules, including more reduced, low- and no-sugar product offerings
2. Reformulating existing brands to incrementally reduce sugar and change consumer tastes.
3. Rapidly adopting the Health Star Rating food labelling scheme with the % Daily Intake Energy icon.
4. Ensuring marketing activities are responsible, focusing on low and no sugar beverages, and do not actively target children.
5. Signing up to the new Advertising code for children and young people
6. Voluntarily restricting the sale of sugar-sweetened beverages in schools.

### **Conclusion**

Taxation can be used for the 'social good' to intentionally change behaviour that can lead to undesirable outcomes. But singling out SSBs for taxation is unlikely to positively impact the health outcomes of New Zealanders.

Evidence has shown that where taxes on SSBs have been introduced, they have had almost no effect on reducing obesity or promoting healthy and active lifestyles.

Finally, we call on the government to conduct a full national nutritional survey so that it has the latest information about nutrition New Zealand before it takes any regulatory action.

Thank you for your consideration.

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<sup>11</sup> R. Dobbs et al., "Overcoming obesity: An initial economic analysis," McKinsey Global Institute (November, 2014), *available at* [https://www.mckinsey.com/~media/McKinsey/Business%20Functions/Economic%20Studies%20TEMP/Our%20Insights/How%20the%20world%20could%20better%20fight%20obesity/MGI\\_Overcoming\\_obesity\\_Full\\_report.ashx](https://www.mckinsey.com/~media/McKinsey/Business%20Functions/Economic%20Studies%20TEMP/Our%20Insights/How%20the%20world%20could%20better%20fight%20obesity/MGI_Overcoming_obesity_Full_report.ashx) (last accessed 12 April, 2018).