



# ASEAN: Excise taxation of sweetened beverages

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# Milestones: taxation of sweetened beverages



- 4 countries**
- Cambodia
  - Indonesia
  - Laos PDR
  - Thailand

**Indonesia**  
Repeals  
Beverages  
from LST

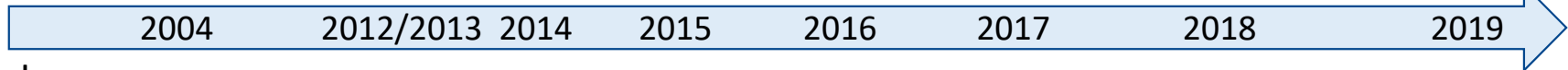
**Indonesia**  
Proposal &  
rejection

**Vietnam**  
Proposal &  
rejection

**Brunei**  
New Tax  
B\$4 / 10L

**Thailand**  
Restructure  
Tax base to  
include  
sugar  
content

**Malaysia**  
New Tax  
MYR 0.4/100ml



**\*Ad valorem tax base**

- 5-20%
- Luxury taxes
- No use of sugar content

**Philippines**  
Proposal 10%

**Philippines**  
Revised  
Proposal  
PHP 10/L

**Philippines**  
TRAIN  
New Tax  
PHP 6/L &  
PHP 12/L

**Singapore**  
Formal  
Study starts

**Vietnam**  
Proposal  
10%



# Changing Priorities?

## Discussions, proposals, set backs and start dates!

- Proposals for new sweetened beverage taxes emerge
- Between 2012 - 2017, legislation proposed in:
  - Indonesia (rejected), Vietnam (rejected) & the Philippines
- In 2017, legislation passed in:
  - Brunei and the Philippines
  - Thailand restructuring to include sugar content
- In 2018 Budget, Malaysia commits to a new tax from 1 April 2019
- Today:
  - Vietnam has a new proposal for approval
  - Singapore commenced formal study / public consultation



**3 EXCISE DUTY ON MANUFACTURERS & IMPORTERS OF PRE-PACKAGED SSBs**  
To encourage industry to reformulate and lower sugar content in their drinks.

EXAMPLE: UK'S TWO-TIERED EXCISE DUTY:



- UK's duty saw over 50% of manufacturers reducing sugar content in their drinks, and an increased variety of lower-sugar pre-packaged sugary drinks in the market.
- A tiered duty provides more targets for manufacturers to progressively lower sugar levels in their products.



# Indonesia Case Study

## New excise item proposed in 2012

- ‘Carbonated drink & drinks containing artificial sweeteners’
- Use of Article 2 *Law on Excise* – ‘have a nature or characteristics that require their consumption to be controlled’
- Rp 2,000-3,000 Per/L?
- 2013 the proposal is ‘sent back by Commission XI’ for more evidence
- Industry put up economic arguments
- 2015 (Regulation 132/PMK/2015) new customs tariffs – imports only
  - 10% soda, flavoured UHT/soy milk
  - 20% RTDs
- Discussion ‘goes quiet’ December 2015 (WSJ, Jakarta Post)



# Philippines Case Study

## Successful policy implementations

- 2013 – House Bill 3365 – 10% ‘sweetened non-alcoholic beverages’
- 2016 – House Bill 292 move to PHP 10 per L, &
  - 20% or revenue earmarked to health fund
  - 4% increase every January 1<sup>st</sup> for inflation
- 2017 – House Bill 5636 – PHP 4.5 per L (local sugar) & PHP 9 per L (imported sugar)
- 2017 – Senate Bill 1592 – PHP 4.5 per L (caloric/non-caloric sweetener) & PHP 9 per L (high fructose corn syrup)
- 2017 – Republic Act 10963 (Tax Reform for Acceleration & Inclusion – ‘TRAIN’)
  - Part of comprehensive tax reform package
  - Sweetened beverages (pre-packaged with sugar added by manufacturer)
  - PHP 6 per L – contains caloric or non-caloric sweetener
  - PHP 12 per L – contains high fructose corn syrup
  - Exemptions – coconut sap sugar used

NEW TAX RATES FOR SUGAR-SWEETENED DRINKS Under the Bicam-approved TRAIN bill		
DRINKS USING SUGAR AND ARTIFICIAL SWEETENERS	DRINKS USING HIGH FRUCTOSE CORN SYRUP	EXEMPTED
 P6 per liter	 P12 per liter	 <b>Milk</b> (Plain milk, infant formula milk, growing up milk, powdered, ready to drink, flavored, fermented) <b>Instant coffee</b> 100% natural fruit and vegetable juices Meal replacement Medically indicated beverages Sweetened beverages using coco sugar and stevia



# Brunei Darussalam Case Study



## Successful policy implementations

- Excise Duty (Amendment) (No 2) Order 2017
- From 1 April 2017
- ‘Towards a Healthy Society’
  - Control products harmful to health eg food & drink with high sugar content
  - Inclusion of foodstuffs: cocoa and MSG

Classification	Excise Duty
Beverage >6 gm sugar per 100ml	B\$4.00 per 10L
Soy milk >7 gm sugar per 100ml	B\$4.00 per 10L
Sugars	3%
Cocoa	3%
Tea & coffee extracts/concentrates	5%
Monosodium Glutamate (MSG)	30%

***“Brunei Darussalam is fighting back against obesity. Too many of us eat and drink too much, especially foods high in sugars and saturated fats”*** (Press Release MoH 8 February 2017).

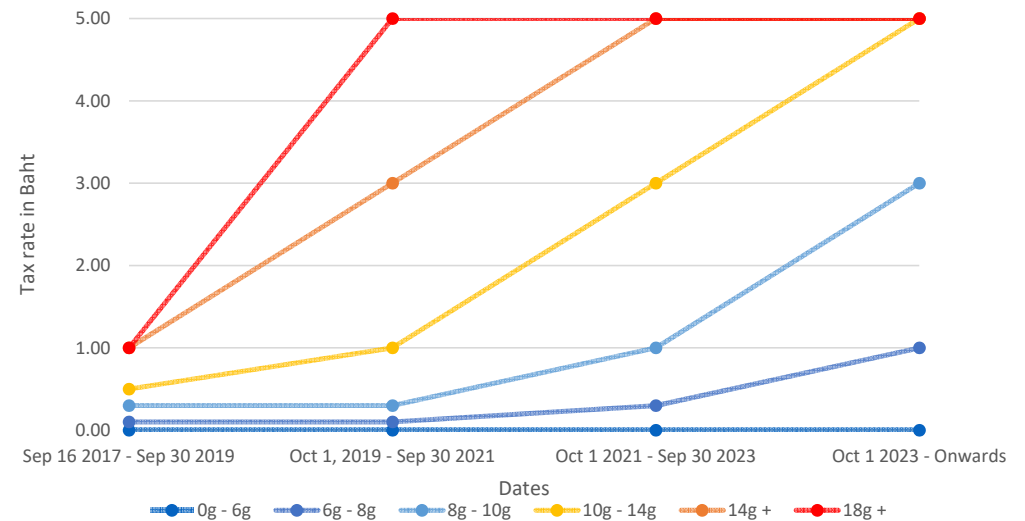


# Thailand Case Study

## Reform and restructure for increased effect

- Mixed rate, capturing sugar content & quality
- Tiered system based on sugar levels
- Phase from 2017-2023
- 'Target' to get sugar under 6gm/100ml
- Incentives to reduce levels quickly

Tax per gram of sugar (other than juice)



# Malaysia Case Study

Classification	Excise Duty
Beverage >5 gm sugar per 100ml	MYR 0.40 /L
Fruit/Vegetable juice >12 gm per 100ml	MYR 0.40 /L

## 5 year process

- First discussion 2015 – Minister of Health
- National Plan of Action for Malaysia of Nutrition III 2016-2025
- Passed in Budget process (November 2018) for 1 April 2019 start

9.	Impose tax on unhealthy foods and beverages (i.e: sweetened creamer, condensed milk, sugar sweetened beverages (SSBs) including carbonated drinks and processed foods	Tax on unhealthy foods and beverages (SSBs) implemented	Tax on unhealthy foods and beverages (SSBs) by 2020	National	<p><b>Lead agency:</b> MOF</p> <p><b>Other agencies:</b></p> <ul style="list-style-type: none"> <li>• Custom Department</li> <li>• MOH</li> <li>• Food industries</li> </ul>
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# Vietnam Case Study



## Second attempt

- 2014 proposal – ‘Carbonated soft drinks – 10%’
- Rejected by Economic Affairs Committee: Resolution 56/NQ-CP 2014
  - ‘too narrow in scope to have a positive health outcome’
  - ‘negatively impact local soft drink manufacturers’
- A new excise tax in 2019?
  - MoF press conference 15 August 2017
  - “The imposition of the tax aims to regulate the consumption of sugar-based beverages according to international practice” – two options
    - 10% (as per 2014)
    - 20%
  - 2018 commentary suggests 10% tax + additional 2% VAT
  - Meeting strong industry based resistance



# Today in ASEAN

## Can we:

- Agree some principles
- Move towards sugar content
- Use transition if needed
- Part of a broad health package
- RESEARCH (success with study)
  - Understand market
  - Responses to prices
  - Tax design to meet objectives

Country	Sugar content	Tax per Litre (USD) Or ad valorem rate
Brunei	> 6 grams per 100 millilitres > 7 grams per 100 millilitres (Soy milk based only)	\$0.30 \$0.30
Cambodia	Not based on sugar content	10%
Indonesia	Attempted to add to Excise law in 2012 (rejected by Commission XI) Proposal IDR 2-3,000 per L	\$0.22 (Proposed)
Laos PDR	Not based on sugar content	5% 10% (Energy Drinks)
Malaysia	From 1 April 2019: > 5 grams per 100 millilitres > 12 grams per 100 millilitres (fruit/vegetable juice)	\$0.10 \$0.10
Myanmar	N/a	N/a
Philippines	Use natural sugars or artificial sweeteners Use high fructose corn syrup Use coconut sap sugar or non-caloric sweetener	\$0.12 \$0.24 \$0.00
Singapore	Review and public consultation by Ministry of Health	N/a
Thailand (at 1/1/19)	6-8 grams per 100 millilitres 8-10 grams per 100 millilitres 10-14 grams per 100 millilitres >14gm grams per 100 millilitres	\$0.003 + 14% \$0.009 + 14% \$0.015 + 14% \$0.031 + 14%
Vietnam	Economic Affairs Committee Resolution 56/NQ-CP 2014 rejects proposal  New proposal introduced 2017 (10 or 20%) + additional VAT	10% (Proposed)



# Thank you

Additional ASEAN resources @ CSU

- Database of every excisable goods (& services) and their tax rates
- Catalogue of all available excise laws from ASEAN member countries

Charles Sturt University Research Output (CRO)

<https://research.csu.edu.au/performance/csu-research-output-cro>

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