



Weekly Briefing

**Poland economy briefing:
Discussions on “Sugar tax”
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Discussions on “Sugar tax”

The Polish government wants to use fiscal policy to fight with overweight and obesity problem. In February 2020, an act was passed which includes imposing an additional charge on beverages containing sweeteners, alcoholic beverages in small-volume packaging and on advertisement of dietary supplements. A similar tax has already been introduced, among others in Denmark, Hungary, France, Portugal and Estonia. Poland wants to imitate these solutions. Supporters point out that this is a good step forward in the fight against obesity, but critics argue that the government is all about increasing tax revenues, not about citizens' health.

What does the “sugar tax” introduce?

The main purpose of the “Act amending certain acts in relation to the promotion of healthy consumer choices” is to use fiscal policy instruments as a tool to fight overweight and obesity by imposing an additional charge for sweetened drinks. The Act provides for the imposition of an additional fee on: beverages with the addition of monosaccharides, disaccharides, oligosaccharides, foodstuffs containing these substances and sweeteners (referred to in Regulation (EC) No 1333/2008 of the European Parliament and of the Council), caffeine, guarana or taurine, and for advertising of dietary supplements. The Act introduces moreover a change to the Act of October 26, 1982 on “Upbringing in sobriety and counteracting alcoholism”. According to the new law, entrepreneurs selling alcoholic beverages in small-volume packaging (up to 300 ml) intended for consumption outside the place of sale, i.e. during open fairs, concerts and sport events, will be required to pay an additional fee related to the capacity of alcoholic beverages.

The Act provides that revenues from the fee on beverages will be transferred in the amount of 98% to the National Health Fund (Narodowy Fundusz Zdrowia, NFZ) for financing healthcare services, and in the amount of 2% at the disposal of the Minister of Finance for the purpose of enforcing the costs of these fees and the administrative support for their collection.

The law provides for the introduction of a charge on sweetened drinks. The charge is divided into fixed, additional and variable parts:

- fixed fee of PLN 0,50 (EUR 0,12) per litre of drink with added sugar or sweetener;

- additional fee: PLN 0,10 per litre of drink with the addition of the active substance (caffeine or taurine);

- variable fee: PLN 0,05 for every gram of sugar above the limit of 5 grams per 100 ml of drink.

It should be noted that drinks which are medical devices, registered dietary supplements, food for special medical purposes, infant formulas, products on which excise duty is already imposed, are excluded from these charges. Drinks containing at least 20% fruit, vegetable or mixed fruit-vegetable juice, and isotonic drinks are also exempt from the fixed fee in accordance with EU Commission Regulation No. 432/2012.

In addition, entities providing the service that is an advertisement of a dietary supplement, will be required to pay a 10% fee to the account of the relevant tax office. These funds will then be transferred to the National Health Fund to finance healthcare services.

The problem of obesity in Poland

The Ministry of Health argues that the introduction of the tax will contribute to shaping better consumer choices and will support counteracting the plague of overweight and obesity. In fact obesity is becoming a feature of civilization in which there is no trouble with a lack of food, and a pattern of a lifestyle without physical activity is the dominating one. The number of obese people today is greater than those who are underweight. World Health Organization alerts that their number has tripled in the last two decades, reaching astronomical 641 million in 2016 and is still growing. WHO included obesity in the group of lifestyle diseases and talks about an epidemic.

This number is also growing at an alarming rate in Poland. Results of the population health survey conducted in the autumn of 2018 by the National Institute of Public Health indicate that almost 60% of Polish men, and 41% women have too high body mass (Poland ranks 7th in Europe in this respect). The situation is also dramatic for older children and adolescents. According to data obtained from the study conducted by the Institute of Food and Nutrition among primary and junior high school students (10-16 years old), the problem of excessive body weight affected every fifth student, and was more common among boys than girls. The results of the study on health behaviours of adolescents aged 11-15 years from 2019 show that excessive weight occurs by almost 30% of boys and over 14% of girls.

That is why Polish government has decided to declare its fight against obesity. “Sugar tax” should reduce the financial attractiveness of drinking sweet drinks (relatively quite cheap in Poland) and to support the budget of the Ministry of Finance and the National Health Fund to combat this health problem. It is estimated that, on average, people whose death can be associated with the consequences of consuming sugar-sweetened drinks live 15 years shorter than the average person their age. Scientists indicate that sweet drinks provide 40% more calories and more than 50% sugar in the children’s diet in addition to their daily energy intake. It is also estimated that nearly 1,400 deaths a year in Poland result from the consequences of excessive consumption of sugar-sweetened beverages.

Perception of the new tax

This health beneficial solution, however, finds many critics. The Association of Entrepreneurs and Employers announced that there is no evidence that such legal regulations have a positive impact on public health, and that the rulers are only concerned with additional revenues to the state budget, which should increase by about PLN 2,3 billion to even 3 billion (EUR 541 million to even EUR 706 million). They underline that the act is to mainly fix the difficult situation of the state budget. It is also pointed out that this is in fact a state-supported price increase - because the cost of fighting sugar in the diet will be imposed on consumers and not charged to beverage producers. Asked to comment on this issue, representatives of the Coca-Cola Company predict that the introduction of a sugar tax may increase the price of sweet drinks by at least half, and in the case of the cheapest brands by up to 100%.

Farmers’ organizations, sugar producers and its processors are also against this Act. In the opinion of the Polish Federation of Food Producers, the main goal of the bill is, as well, only to obtain additional funds for the budget at the expense of consumers and companies - especially small and medium-sized enterprises, which constitute almost 70% of the beverage market in Poland.

The Federation of Producers indicates that in October 2019 all beverage producers in Poland signed an obligation, according to which by the year 2021 they will reduce the calorific value of beverages by changing the composition and introducing new product groups. In its statement the Federation underlines: “The taxes proposed by the Ministry of Health stigmatize and reject the efforts taken by the beverage industry to reduce sugar consumption. This allows us to state that the Ministry is not concerned about the health of Poles, but only about taxing a maximum number of food products.”

According to the organization, “taxation of low calorie sweeteners also conflicts with the latest research confirming their safety, as well as the position of the Polish Society for the Study of Obesity, the National Institute of Public Health - National Institute of Hygiene, and the Institute of Food and Nutrition, which recognize the use of these substances in the quantities allowed for being safe for health.” At the same time, the beverage industry declared its readiness to have “substantive discussions with the Ministry of Health on possible actions to develop non-fiscal solutions for promoting a balanced diet.”

The sugar tax will also have an adverse effect on the condition of the Polish sugar production sector. Poland is an important producer and exporter of sugar in Europe. According to the latest data from the Institute of Economics, Agriculture and Food Economy, in the second half of 2019, Polish sugar companies exported large quantities of sugar, so that inventory was as low as possible. However, low world sugar prices (around EUR 350 / t) had a negative impact on the value of exports. It is estimated that over the whole 2019 sugar exports may have reached the level of approx. 750.000 tonnes worth EUR 260 million. Yet, these are just supposition since no official data is known.

Conclusion

By deciding to introduce a “sugar tax”, the government wants to influence consumer behaviour and force citizens, through financial tools, to give up buying cheap sweet drinks. This is a good direction, because the number of obese people in Poland is growing rapidly. It seems, however, that this is only a step on the road to fighting the epidemic. Long-term and varied social campaigns and education are needed, first of all for children and adolescents, in the field of knowledge about healthy and balanced nutrition.

On the other hand the fiscal context for introducing of this tax is obvious as well - the government is looking for new revenues in the face of growing public finance deficit. It is worth checking so, whether the special taxation of unhealthy sugared products will have an impact on consumer behaviour, a positive effect on public health or only on state of public finances.