Comments on the Ministry of Finance’s Proposed Excise Tax on Carbonated Beverages

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Under proposed revisions to the tax law\(^1\):

“non-alcoholic sweetened drinks with gas” would be taxed; while non-alcoholic sweetened drinks without gas would not be taxed.

\(^1\) Draft Law on Amendments and Supplements of a Number of Articles of the Law on Excise Tax
In other words, this is a tax on CARBONATED drinks (CO$_2$)
Generally, *carbonated drinks* (such as internationally-recognized soda brands) are manufactured by *foreign-owned* Vietnamese companies while

Generally, *noncarbonated drinks* (such as generic tea, juice, or coffee) are manufactured by *domestically owned* Vietnamese companies
Supporters of the tax argue that CO$_2$ is harmful to health. We have looked extensively at published scientific studies, and conclude that

CO$_2$ is **NOT harmful** to health, and in several ways

CO$_2$ is **BENEFICIAL** to health
Supporters of the tax argue that other countries impose similar taxes. We have looked extensively at laws across the globe, and conclude that

other countries

DO NOT TARGET CO$_2$

for taxation
This tax would impact not only carbonated drinks companies, but also *suppliers* (like sugar cane growers, packaging companies, and countless others in the supply chain), as well as retailers who sell carbonated soft drink products, many of which are SMEs. The tax’s negative effect on demand will be disruptive to many businesses, and will hurt Vietnam’s economy.

If, as many in the non-carbonated soft drinks industry expect, the public will abandon taxed carbonated soft drinks in favor of untaxed non-carbonated soft drinks, the result will be *overall lower tax revenues*
This is clearly a **discriminatory tax** against **foreign-owned soft drinks manufacturers** and as such is **likely to be challenged** as it **denies “national treatment”**.
Thank You!