

## **Excise tax on CSDs: A summary of expert and public opinion**

### **Health study**

A team of researchers at the **Health Strategy & Policy Institute** – Ministry of Health has announced a study result on the connection between CSDs consumption and health. According to the study, the health effects being studied are divided to 03 main categories: (1) Enamel & bone, (2) Digestive system, (3) Urinary system.

For enamel & bone, carbonated water does not have significant effect on enamel and have absolutely no effect on bone. On the contrary, carbonated water benefits the body's calcium absorption and biological homeostasis. For digestive system and urinary system, the team found no evidence linking negative health effects and carbonated water. The study also shows that any health effect from additives needs more evidence to be confirmed; though several additives contain acid phosphoric and caffeine, which may cause certain effect.

The researcher team therefore suggests that it is too soon to conclude that CO<sub>2</sub> and additives in carbonated drinks have negative health impact. In order to produce an accurate conclusion, separate studies on components of CSD need to be conducted with proper clinical conditions.

### **Economic impact analysis**

**Central Institute of Economic Management** announced a study on economic impact of excise on CSD, which suggests an economic puzzle that needs immediate solution. According to the study, total annual government tax income from excise on CSD, after deducting the lost revenue from VAT, corporate income tax, and GDP reduction, is USD 8.46 million. The beverage industry meanwhile loses USD 40.5 million, as the economy loses USD 12.1 million in GDP. In their summary, CIEM suggests that this is still not the actual number, as factors such as maintenance cost of tax administration system, increase of welfare expenses have yet been considered in the study.

### **The consumers' voice**

According to a recent independent research by the Denmark-based company Epinion regarding consumer reaction on the possible 10% increase rate of CSD price, most people expresses their concern over the negative impacts on consumers, retailers, and beverage company, which the increased price may cause.

According to the data collected, 60% out of 600 survey participants consider the increased price a threat to the beverage industry; 74% of survey participant believe that the low-income consumers will be the most affected ones; the same ratio goes for the number of survey participant agree that beverage retailers' business will be jeopardized, as demand for carbonated drinks may decrease.

It should be noted that, voicing opinion on how their own beverage shopping habit change in accordance to the change of CSD price, 73% of survey participant cross CSD out of their shopping bucket, or cut back on their CSD consumption, and switch to alternative sweetened drinks being substitution products; such as energy drink, ready-to-drink tea, packaged milk, packaged juice, etc., also ones that contain equivalent or higher sugar (energy) content compared to CSD. There are 28% of survey participant are assertive that they will not change their shopping habit despite the increased price.

Unlike alcohol, cigarette, or luxury goods, it could be concluded that the consumers are well aware of their need and price-cautious of a daily-used product such as CSD.