Estimating the potential of taxes on sugar-sweetened beverages to reduce consumption and generate revenue

Given increasing evidence linking sugar-sweetened beverages and obesity, public health interventions targeting sugar-sweetened beverages have gained momentum in the past couple of years. Studies highlight that their consumption is associated with weight gain and obesity that translates into health, economic and societal costs. While only few economic studies have been done on the subject, previous ones examined the relationship between beverage prices and consumption, and consistently noted that a price increase leads to a decrease in consumption. The aim of this paper is to offer a method for estimating revenues from an excise tax on sugar-sweetened beverages and diet varieties that governments of various levels could expect immediately and in the future.

This modelling study predicts that an excise tax on sugar-sweetened beverages could help nations address budget deficits through two means: revenues generation and decrease in health care costs. If applied nationwide, it was predicted that the tax could have brought $118 billion between 2010 and 2015 and reduced daily caloric consumption from 190-200 to 145-150, resulting in a loss of up to 5 lbs per year. A modest tax on sugar-sweetened beverages could therefore have a significant public health impact, especially for youth and people from lower socio-economic groups who represent the highest consumer group.