Challenges and enablers in advancing taxation policies in the Caribbean

Miriam Alvarado, PhD
November 2, 2023
1. The story of one health tax

2. A review of challenges and enablers along the way

3. Reflections
Barbados Childhood Obesity Prevention Coalition (w/ PAHO)

2014 IMF Report

Tax announcement April 2015

10% Tax implementation – Sept 2015

Tax collection

Media coverage

Retailers

Price increases

Evaluation of tax

Tax amendment

Sales decreases

2014 IMF Report

20% Tax implementation April 2022
Barbados Childhood Obesity Prevention Coalition (w/ PAHO)

- Tax announcement
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Tax amendment

10% Tax implementation
20% Tax implementation

IMF Report

Media coverage
Challenge & Enabler #1: Tax addresses multiple goals

- Existing coalitions were advocating for an SSB tax for health reasons
- A nationally representative study demonstrated high levels of diabetes, hypertension, overweight and obesity

- In 2014, an IMF report recommended “an excise on carbonated soft drinks”

<table>
<thead>
<tr>
<th>Recommendations</th>
<th>Revenue Impact in millions of BDSS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Increase (+)</td>
</tr>
<tr>
<td>Short term (next budget)</td>
<td></td>
</tr>
<tr>
<td>Eliminate VAT zero-rating of food and consumer goods, converting any other items not taxed into VAT exempt items</td>
<td></td>
</tr>
<tr>
<td>Introduce a mobile airtime excise tax</td>
<td>+</td>
</tr>
<tr>
<td>Implement an excise on carbonated soft drinks</td>
<td>+</td>
</tr>
<tr>
<td>Raise all vehicle registration, license, inspection and other fees by 20 percent</td>
<td></td>
</tr>
</tbody>
</table>
Global levels of SSB consumption

A. Sugar-sweetened beverages

(Singh et al. 2015)
Figure 5.
Daily Calories Sold per Capita per Day from All Sugar-Sweetened Beverages
Source: Euromonitor Passport International with country-specific kcal data added (not for use or quotation). Only caloric beverages included.)
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20% Tax implementation
Challenge & Enabler #2: Public commitment vs. industry pushback

• When the 10% SSB tax was announced, only a small group within the government had been aware it was coming
• It was announced as part of the budget
• It took many (including industry) by surprise

• Although multinational SSB interests attempted to lobby the government to reverse the tax, the government was already publicly committed to the tax and stayed strong in this commitment - industry interests were not able to halt it
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Challenge & Enabler #3: Smaller tax base

10% ad valorem tax on producer price

10% of pre-VAT CIF

Customs & Excise Department

10% cost of production

Barbados Revenue Authority
Impact of Tax Base on Price Change

Country A: Ad valorem tax applied on **producer price**

- $2.00
- $0.20 tax
- $0.60 profit margin

= $2.80
(7.7% price increase)
Impact of Tax Base on Price Change

Country A: Ad valorem tax applied on producer price

<table>
<thead>
<tr>
<th></th>
<th>Producer Price</th>
<th>Tax</th>
<th>Profit Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$2.00</td>
<td>$0.20</td>
<td>$0.60</td>
</tr>
</tbody>
</table>

= $2.80
(7.7% price increase)

Country B: Ad valorem tax applied on retail price

<table>
<thead>
<tr>
<th></th>
<th>Producer Price</th>
<th>Profit Margin</th>
<th>Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$2.00</td>
<td>$0.60</td>
<td>$0.26</td>
</tr>
</tbody>
</table>

= $2.86
(10% price increase)
<table>
<thead>
<tr>
<th>Country applying excise taxes on SSBs</th>
<th>Applies on bottled water</th>
<th>Applies on powders, concentrates, or syrups</th>
<th>Applies on energy drinks</th>
<th>Applies on sugar-sweetened milk drinks (harmonized tariff code: 040299)*</th>
<th>Ad valorem tax base for locally produced beverages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>...</td>
<td>Retail price excluding VAT</td>
</tr>
<tr>
<td>Barbados</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Producer price</td>
</tr>
<tr>
<td>Brazil</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Producer price</td>
</tr>
<tr>
<td>Chile</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Retail price excluding VAT</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>...</td>
<td>Retail price</td>
</tr>
<tr>
<td>Panama</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Retail price</td>
</tr>
<tr>
<td>Paraguay</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Producer price</td>
</tr>
<tr>
<td>Peru</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Retail price excluding VAT</td>
</tr>
<tr>
<td>Saint Kitts and Nevis</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Retail price excluding VAT</td>
</tr>
<tr>
<td>Saint Vincent and the Grenadines</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
<td>Retail price excluding VAT</td>
</tr>
</tbody>
</table>
Barbados Childhood Obesity Prevention Coalition (w/ PAHO)

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- Retailers
  - Price increases
  - Sales decreases
- Evaluation of tax
- Tax amendment
- Media coverage

20% Tax implementation

IMF Report
Challenge #4: Media representation

• When the tax was announced and implemented, it was described as a tax on ‘sugar-sweetened beverages’
• But this isn’t a typically used term, and the meaning is confusing
Many were unsure if juice drinks were taxed:

*I’m not sure if [the tax] went on juices as well.*

(Male, late teens)
“…when you think of the tax, you’re going to think soft drink, but you’re not going to think of the Pine Hill Dairy juices that you’ve been buying your kids […]”

(Female, early 40s)
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Retailers
Price Change Results

SSB prices increased by average 5.9%
Challenge #5:
Prices labelled in most stores but not all
Barbados Childhood Obesity Prevention Coalition (w/ PAHO)

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### Sales Change Results

**Overall Average**

<table>
<thead>
<tr>
<th></th>
<th>Absolute (mL/capita)</th>
<th>Relative (%)</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Est</td>
<td>CI</td>
</tr>
<tr>
<td>SSBs</td>
<td>-8.6</td>
<td>-10.0 to -7.3</td>
</tr>
<tr>
<td>Carbonated SSBs</td>
<td>-4.5</td>
<td>-5.4 to -3.6</td>
</tr>
<tr>
<td>Other Sweetened</td>
<td>-4.1</td>
<td>-4.6 to -3.6</td>
</tr>
<tr>
<td>Non-SSBs</td>
<td>6.1</td>
<td>5.3 to 6.8</td>
</tr>
<tr>
<td>Water</td>
<td>4.9</td>
<td>4.3 to 5.5</td>
</tr>
<tr>
<td>Other Unsweetened</td>
<td>1.3</td>
<td>1.0 to 1.6</td>
</tr>
</tbody>
</table>

**Final Week of Study**

<table>
<thead>
<tr>
<th></th>
<th>Absolute (mL/capita)</th>
<th>Relative (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Est</td>
<td>CI</td>
</tr>
<tr>
<td>SSBs</td>
<td>-10.4</td>
<td>-26.8 to 6.0</td>
</tr>
<tr>
<td>Carbonated SSBs</td>
<td>-15.6</td>
<td>-26.8 to -4.5</td>
</tr>
<tr>
<td>Other Sweetened</td>
<td>4.1</td>
<td>-2.2 to 10.5</td>
</tr>
<tr>
<td>Non-SSBs</td>
<td>5.4</td>
<td>-3.8 to 14.6</td>
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<tr>
<td>Water</td>
<td>8.1</td>
<td>1.1 to 15.0</td>
</tr>
<tr>
<td>Other Unsweetened</td>
<td>-2.3</td>
<td>-5.9 to 1.3</td>
</tr>
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</table>
Evidence of brand down-switching?

(i.e. when consumers switch from a more expensive brand to a cheaper one)
Challenge #6: Introducing new low-cost SSBs
Enabler #7: Amendment introduced

| S.I. 2017 No. | Excise Tax Act
<table>
<thead>
<tr>
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<tbody>
<tr>
<td></td>
<td>Act 2015-32</td>
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<td></td>
<td>EXCISE TAX (AMENDMENT) (NO.) REGULATIONS, 2017</td>
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</table>

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
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<tbody>
<tr>
<td>21.06</td>
<td>Food preparations not elsewhere specified or included</td>
</tr>
<tr>
<td>2106.90.10</td>
<td>Mauby Syrup</td>
</tr>
<tr>
<td>2106.90.20</td>
<td>Other flavoured or coloured sugar syrups</td>
</tr>
<tr>
<td>22.02</td>
<td>Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured, and other non-alcoholic beverages, not including fruit or vegetable juices of heading 20.09</td>
</tr>
<tr>
<td>2202.10.00</td>
<td>Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured:</td>
</tr>
<tr>
<td>2202.10.10</td>
<td>Aerated beverages</td>
</tr>
<tr>
<td>2202.10.90</td>
<td>Other</td>
</tr>
<tr>
<td>2202.90.00</td>
<td>Other</td>
</tr>
<tr>
<td>2202.90.10</td>
<td>Other</td>
</tr>
</tbody>
</table>
Enabler #8: Evaluation exists to protect tax

• “This policy which is expected to generate in excess of $10 million in revenue this fiscal year will be reviewed in two years time to determine how effective it has been in shifting the behaviours of both producers, importers and consumers as whether it should be extending or intensified.” – 2015 Budget Speech
We congratulate our Prime Minister and the Parliament of Barbados for putting the health of Barbadians first.

Full support for a 20% tax on sugar sweetened beverages in the fight against NCDs.

Implementation date: April 1st 2022.
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Acknowledgements

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Thank you