

Is the Sugar Tax Really Necessary?

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Introduction

With diabetes and its related ill health growing rapidly among Malaysians, in his Budget 2024 speech, the Prime Minister announced a 10 sen, or 25% increase in the sugar tax, from 40 to 50 sen per litre¹. This means consumers will see an increment in the prices of sugar-sweetened beverages (SSBs) affected by the existing sugar tax in 2024.

This is a step in the right direction, but stronger actions are urgently needed to reduce the spread of diabetes among Malaysians.

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This Views was prepared by Teoh Ai Ni from the Khazanah Research Institute (KRI). The author is grateful for the valuable comments from Prof. Jomo Kwame Sundaram and Shazrul Ariff Suhaimi.

A version of this article was published in The Star on 9th November 2023, titled 'Need to Tax Sugar-sweetened Beverages'.

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¹ The Star (2023)

Sugar Tax in Malaysia

Various policy measures can be undertaken to tackle diet-related public health issues such as diabetes. One commonly implemented measure is fiscal policy, such as subsidies and excise taxes. Fiscal policies are typically undertaken to influence the relative prices or affordability of food and beverages and, consequently, shift population consumption patterns.

Subsidies act as price incentives by promoting or ensuring food affordability. They are often imposed on foods that contribute to a healthy diet. On the other hand, excise duties, like the sugar tax, are consumption taxes targeting specific products to increase their price relative to other consumer goods. They are typically used to discourage unhealthy food purchases.

The sugar tax, also known as the SSB tax, was first introduced in July 2019². It is levied on two broad categories of SSBs, either imported or manufactured in Malaysia: beverages containing more than 5g of sugar per 100ml and fruit juice or vegetable-based drinks with over 12g of sugar per 100ml³. Drinks prepared and served at eateries are excluded from the existing sugar tax.

The objectives of the sugar tax are to encourage manufacturers to reduce the sugar content of SSBs and discourage consumers from purchasing them, thus reducing sugar intake and, hopefully, diabetes in Malaysia.

The Need for Sugar Tax

With the rapid spread of diabetes in Malaysia, the sugar tax increase is much needed. According to the National Health Morbidity Survey (NHMS), the diabetic population has risen 1.6 times in 8 years, from 11.2% in 2011 to 18.3% in 2019⁴. Nearly one in five adult Malaysians are diabetic! Of greater concern, close to half of them (8.9%) did not know they were diabetic⁵, double the prevalence recorded in NHMS 2011. This also highlights a serious concern about the lack of diabetes awareness and health screening, considering the importance of early detection for timely treatment and prevention of complications.

Compared to the rest of the Association of Southeast Asian Nations (ASEAN) countries, Malaysia has the highest rate of diabetes among adults⁶ (see Figure 1). It is projected that the diabetes prevalence in Malaysia will remain high in 2030 and 2045 unless positive changes in risk factors, such as overweight or obesity, unhealthy dietary practices and sedentary lifestyle, take place.

² Ministry of Health Malaysia (n.d.)

³ Ibid.

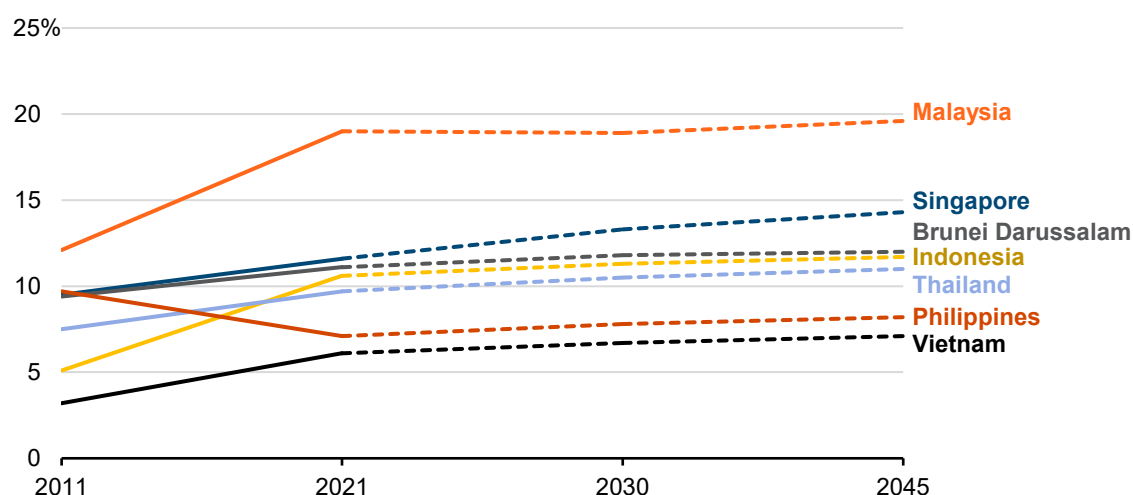
⁴ Institute for Public Health (2020)

⁵ Ibid.

⁶ International Diabetes Federation (2021)

However, it is important to refrain from isolating diabetes as a standalone public health issue. The alarming rate of diabetes is also related to the obesity epidemic Malaysia experiences. Overweight and obesity are a significant risk factor for diabetes. In 2019, one in two Malaysian adults were overweight or obese. Such a trend was also observed among children; nearly one in three children were overweight or obese. The proliferation of obesity and diabetes is a sign of a bigger non-communicable diseases (NCDs) crisis in the country that requires urgent public health interventions.

Figure 1: Age-adjusted comparative prevalence of diabetes in ASEAN countries in 2011 and 2021, with projections up to 2045



Source: International Diabetes Federation (2021), Author's Illustration

Note: Age-adjusted comparative prevalence of diabetes is calculated by adjusting to the population's age composition. It differs from the national prevalence of diabetes reported in NHMS, which is calculated by dividing the estimated number of adults with diabetes by the total adult population. Age-adjusted comparative prevalence of diabetes allows a fairer comparison between countries by taking into different age distributions in the respective population. The diabetes prevalence projections for 2030 and 2040 were computed based on changes in age and urbanisation.

High Sugar Intake is Worrying

Rising intake of free sugar⁷—particularly in the form of SSBs—is a serious concern as its overconsumption significantly contributes to diabetes, obesity and other NCDs⁸.

⁷ World Health Organisation (2022). Free sugars refer to sugars and syrups added during the processing or preparation of food and beverages, such as ketchup, sodas, breakfast cereals, and cakes. Sugars naturally present in honey, syrups, and unsweetened fruit and vegetable juices are also considered free sugars.

⁸ Ibid.

NHMS 2019 found that more than a third of Malaysian adults consumed commercial ready-to-drink beverages at least once a week⁹. Such unhealthy behaviour is more common among adolescents and younger adults¹⁰. On average, they consume 56.9g or approximately 12 teaspoons of sugar daily from different types of SSBs¹¹. Nearly half is from commercially packed, ready-to-drink beverages, such as carbonated soft drinks ('sodas') and sweetened Asian drinks.

The World Health Organisation (WHO) recommends that adults and children limit their daily intake of free sugars to less than 10% of total energy intake¹². For an average adult, this means no more than 50g or 12 teaspoons of free sugar per day. A further reduction of free sugar intake to below 5% or approximately 25 grams (six teaspoons) per day can bring additional health benefits¹³. If free sugars consumed from other food sources, such as processed food and self-prepared food and beverages, are considered, the total free sugar intake of Malaysians who consume SSBs regularly likely exceeds the WHO recommendation.

Meanwhile, sales of SSBs continue to grow in Malaysia. A cross-country study of ultra-processed food sales found SSB purchases in Malaysia growing faster than most upper-middle-income countries¹⁴. Easy availability, access and affordability coupled with aggressive marketing and promotion are responsible for driving the SSB sales growth. Carbonated soft drinks can be found in all food retail and service outlets. With the boom in food delivery services, they are even more readily available, sometimes as 'free' add-ons to food orders. With rising SSB sales, diabetes is likely to continue to spread.

Common Arguments on Sugar Tax

While opponents challenge the effectiveness of sugar taxes in reducing SSB consumption, most research evidence indicates otherwise. Malaysia is not the only country to have introduced a sugar tax to tackle diabetes. To date, a total of 103 countries, including the United Kingdom, Mexico, South Africa, Saudi Arabia, India and the Philippines, have adopted such measures¹⁵.

Many have seen declines in both the purchases and consumption of SSBs¹⁶, with no negative impact on employment¹⁷. Sugar taxes also have progressive implications for health. Compared to other groups, lower-income individuals are more exposed to SSB advertising, consume more SSBs and have poorer health status¹⁸. Hence, they are more likely to reduce their SSB consumption and gain greater health benefits from such measures¹⁹.

⁹ Institute for Public Health (2020)

¹⁰ Ibid.

¹¹ Ibid.

¹² World Health Organisation (2015)

¹³ Ibid.

¹⁴ Baker et al. (2020)

¹⁵ Hattersley and Mandeville (2023)

¹⁶ Teng et al. (2019)

¹⁷ Andreyeva et al. (2022)

¹⁸ Falbe (2020)

¹⁹ Ibid.

Although SSB consumption is similarly prevalent across income groups, lower-income Malaysian adults tend to face higher incidences of diabetes, high blood pressure, and high blood cholesterol²⁰, implying the existence of income-based health disparities. The implementation of sugar taxes alongside proper utilisation of the tax revenue for the benefit of the lower-income groups could help reduce health inequities.

Another common argument is the economic burden caused by higher SSB prices. But SSBs are not a necessary component of any diet. Also, it ignores the vast healthcare costs of managing and treating diabetes. In 2017, the total direct healthcare costs of diabetes, cardiovascular diseases (CVDs) and cancer were RM9.65 billion, of which almost half (45.4%) was spent on diabetes²¹. Furthermore, diabetes also results in substantial indirect costs due to lost productivity and disease burdens, estimated to cost up to RM5.74 billion and RM10.21 billion, respectively²². Together, the total healthcare cost of diabetes, in addition to CVDs and cancer, accounted for nearly 23% of GDP in 2017, posing a significant economic burden²³.

Gaps Remain with Sugar Tax

However, not all SSBs will be impacted by the sugar tax. Following the introduction of the Healthier Choice Logo (HCL) in 2019, many SSBs have been reformulated to meet HCL sugar requirements. The HCL initiative was implemented by the Ministry of Health in April 2017²⁴. The primary objectives of the initiative are to assist consumers in making informed, healthier food choices and encourage food and beverage industries to reformulate and produce healthier products²⁵.

To qualify for HCL, sweetened beverages such as flavoured, isotonic, and fruit drinks must not contain more than 5g of sugar per 100ml²⁶. The list of SSBs that endorsed the HCL is extensive—around 197 flavoured drinks, 32 fruit and fruit juice drinks, 25 botanical beverages, and ten isotonic electrolyte drinks are listed as of December 2023²⁷. This means many SSBs with sugar content below the taxable thresholds remain untaxed.

²⁰ Institute for Public Health (2020)

²¹ Ministry of Health Malaysia (2020)

²² Ministry of Health Malaysia (2022)

²³ Ministry of Health Malaysia (2020); (2022)

²⁴ Ministry of Health Malaysia (n.d.)

²⁵ Ibid.

²⁶ Ministry of Health Malaysia (2023)

²⁷ Ministry of Health Malaysia (n.d.). The specified number of beverages with HCL only includes those with an active certificate shown on the HCL website.

Therefore, it is recommended that the Government extend the sugar tax to more foods with high sugar content, such as milk-based drinks and fruit juices, and lower taxable sugar thresholds. Despite having the highest diabetes rate in the ASEAN region, the SSB prices in Malaysia are still amongst the lowest²⁸. Hence, in the longer term, raising the sugar tax rate to at least RM1 per litre, as recommended by UNICEF and WHO²⁹, is necessary.

Additionally, sugar tax revenue can be better utilised by spending it on promotive and preventive health-related programmes, such as health education and screening. This can augment the existing limited funds for health promotion and prevention and increase public support for such taxes.

Conclusion

Diabetes is just the tip of the iceberg. There are broader social and environmental factors responsible for rising rates of obesity, diabetes and other NCDs. Hence, policymakers must acknowledge that health is not just a personal choice. Many factors in our environment shape our food choices. These range from easy access to and affordability of unhealthy food compared to healthy food to widespread exposure to junk food marketing.

The Government has the responsibility to protect and ensure the health of our people. Implementing the sugar tax to reduce the prevalence of diabetes is one needed step, but much more is needed. To tackle diabetes and other NCDs more effectively, a whole-of-government approach should be undertaken. We need to emphasise disease prevention and health promotion.

With better complementary policies, we can make healthier choices the easier and more affordable choices for all Malaysians.

²⁸ Blecher (2017)

²⁹ Clark-Hattingh and Lo (2019)

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