



GOVERNMENT OF BERMUDA

Ministry of Health

Sugar Tax Consultation Results (Interim Report)

Interim Report

V1.0 - 8th March 2018

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Consultation Background

On 4th January 2018 the Ministry of Health published online a consultation document that outlined proposals for introducing a sugar tax in Bermuda based on the Throne Speech 2017. The public were invited to respond through an online form or in writing to the Director of the Department of Health. The consultation period lasted 8 weeks and ended on 1st March 2018.

The Ministry received 345 responses to the consultation document, each providing thoughtful comments and details on the proposal. The Ministry is grateful to those persons who took the time to review the document and provide the feedback.

The Ministry prepared this initial interim report to provide a summary overview of the consultation feedback. Due to the number of responses a complete report will be issued in due course. The overview provided in this document, however, can provide policy makers with the broad results for consideration. The full report will also consider the feedback suggestions provided by respondents, and any next steps that may be considered in the future.

Bermuda's Issue

The Throne Speech 2017 proposed implementing a Sugar Tax on certain foods and drinks in Bermuda to tackle what has become a national crisis - obesity.

Bermuda's numbers in terms of obesity and overweight are startling. These are just a few of the Ministry's findings:

- 3 out of 4 of Bermuda's residents are overweight or obese¹ and 50% of the population drinks at least one sugary drink a day, 34% have one or two and 16% have three or more.
- Being obese and overweight is more likely to lead to health complications such as diabetes and at least 13 obesity-related cancers. The recent Health in Review report found that cancer is the second leading cause of mortality in Bermuda and accounts for 25% of all deaths. Lung cancer is the leading cause of death followed by colorectal and then pancreatic and prostate.²
- In addition, Bermuda's prevalence of diabetes is one of the highest amongst the Organization for Economic Co-Operation and Development (OECD) (34% of adults are obese and 12 % have type 2 diabetes). The 2014 STEPS survey also found that 79% of men and 70% of women in Bermuda are overweight or obese, which is a leading factor

¹ STEPS SURVEY 2014

² Health in Review 2017, Ministry of Health, Government of Bermuda.

in developing many problems including cancer and diabetes.

- Last year, the total health spending for individuals with diabetes was \$77.8 million³; that is more than 10% of the country's total health spending.

The Ministry of Health plays a vital role in promoting healthy living and has developed and implemented a number of health initiatives throughout the island over the years and will continue our efforts. The Sugar Tax will be just one more method for addressing the health issues linked to obesity and being overweight both with financially supporting our education efforts and acting as a deterrent to purchasing the sugary items.

To ensure the Sugar Tax has the greatest effect, the Ministry of Health put the Sugar Tax proposals out for consultation. We are pleased with the number of responses received and provide the following interim report for consideration. A full report of the consultation will be published in due course.

³ Source: Bermuda Health Council (2017) at <http://www.bhec.bm/wp-content/uploads/2018/01/BHeC-RG-full-page-ad-for-Diabetes-Awareness-Insert.pdf>.

The Sugar Tax

In developing the Sugar Tax the Ministry reviewed a number of jurisdictions which have implemented the tax. Based on this review, a number of parameters were determined by the Ministry and were not open to consultation. These items included:

- The Customs Department will implement and administer the tax.
- The tax will apply to both commercial and personal importers of the specific items identified.
- The tax will be applied as an increase of the rate of duty charged to the item. So, the uprated duty will be applied to the customs value of the imported item as normal.
- The tax will affect specific tariff codes that are already in the Bermuda Customs Tariff.
- The tax will be introduced in phases. In the first phase the tax will be applied to specified tariff codes that do not need to be subdivided into national codes.
- In subsequent phases the tax will be introduced by means of new national tariff codes created under existing tariff codes.
- The tax will apply from September 2018.

The Consultation Document then posed 13 questions (see [Annex 1](#)) asking for input on which items to tax, the level of taxation and views on whether the tax would make a difference. Some of the questions invited written comments and will require further analysis that will be included in the full report. This interim report provides a high level review of the brief responses.

The consultation proposed taxing the following items:

Table I: Description of proposed items

| Item | Description |
|-------------------------------|--|
| Sugars of Heading 1701 | Sugar in solid forms, not syrups or other liquids. Includes brown sugar, white sugar, powdered sugar, and icing sugar. |
| Tariff 1704.909 | Marshmallows, yogurt covered raisins, caramel candy, fondant, nougat, white chocolate. Other chocolate currently not being considered. |
| Tariff Code 2106.900 | Dilutables, crystals/powders and flavoured sugar syrups. For example brands like KoolAid, Ribena, Coffeemate etc. |
| Heading 22.02 | Sodas, energy drinks, fruit juices with added sugar, sweetened teas. |

Review

Question 1: Support for the Sugar Tax as proposed

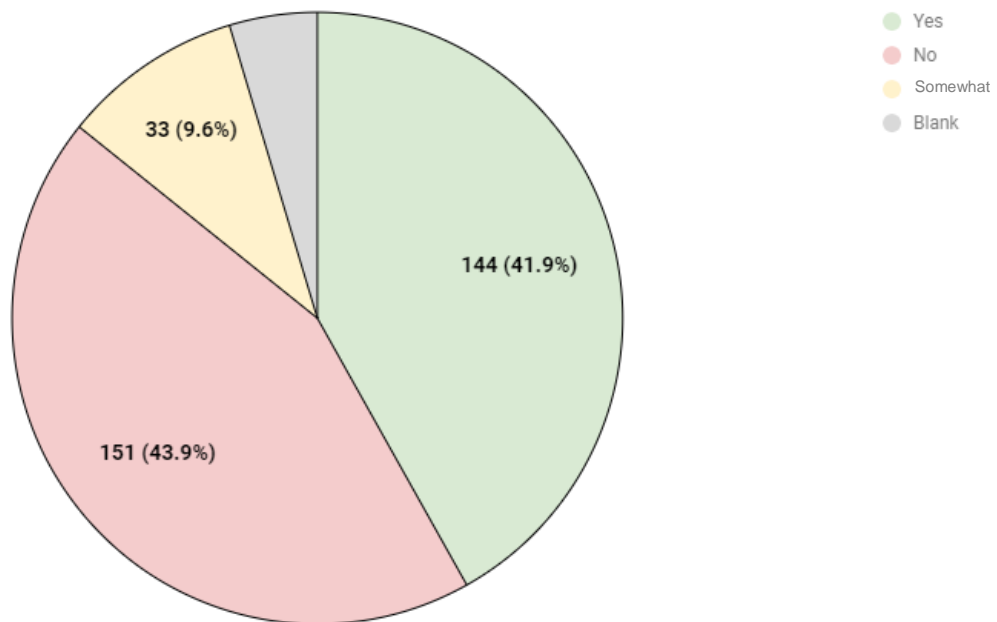
Overall, 52%⁴ of respondents supported taxing the items identified for the sugar tax.

Specifically, 42% were in complete agreement with the items identified in Table 1, and 10% supported the tax, but believed there should be additional items added or particular ones excluded. Some items that proposed for exclusion were: raw sugar, coffee mate, yogurt covered raisins and non-alcoholic beer.

With respect to raw sugar, 16% (57 of 345) of respondents did not believe it should be subject to the tax because of the impact on local businesses.

Overall, 44% were against the tax. Some of the reasons for opposing the tax included the fact there were other foods with sugar that were not part of the tax, concerns about Government regulating food and the inclusion of sports drinks which are used by athletes.

Do you agree the items identified in the consultation document, to which the proposed tax will apply, are appropriate and do not target items of nutritional value?



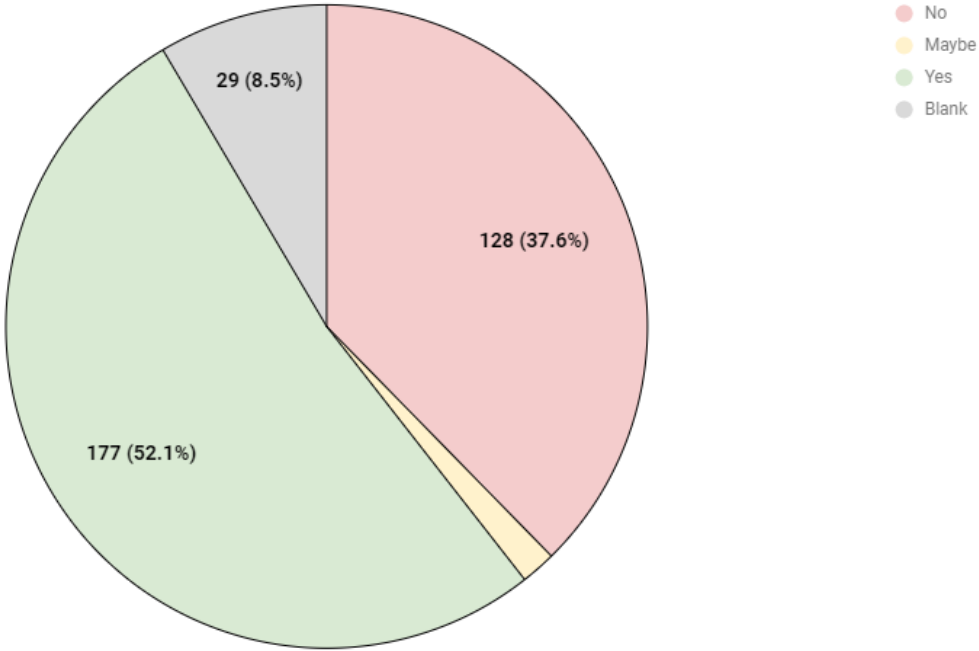
⁴ The percent is the combination of Yes and Somewhat.

Question 2: Adding items to the Sugar Tax

Overall, 52% of respondents supported adding items to be taxed.

Some of the items that the public felt should be added to the tax included, chocolate milk, chocolate, ice cream, and imported baked goods. The 37% who did not think additional items should be included varied in their reasons between supporting the items identified in [Table 1](#) to not agreeing with the tax as a whole.

Q2 - Are there additional items that should be a target of the proposed sugar tax?

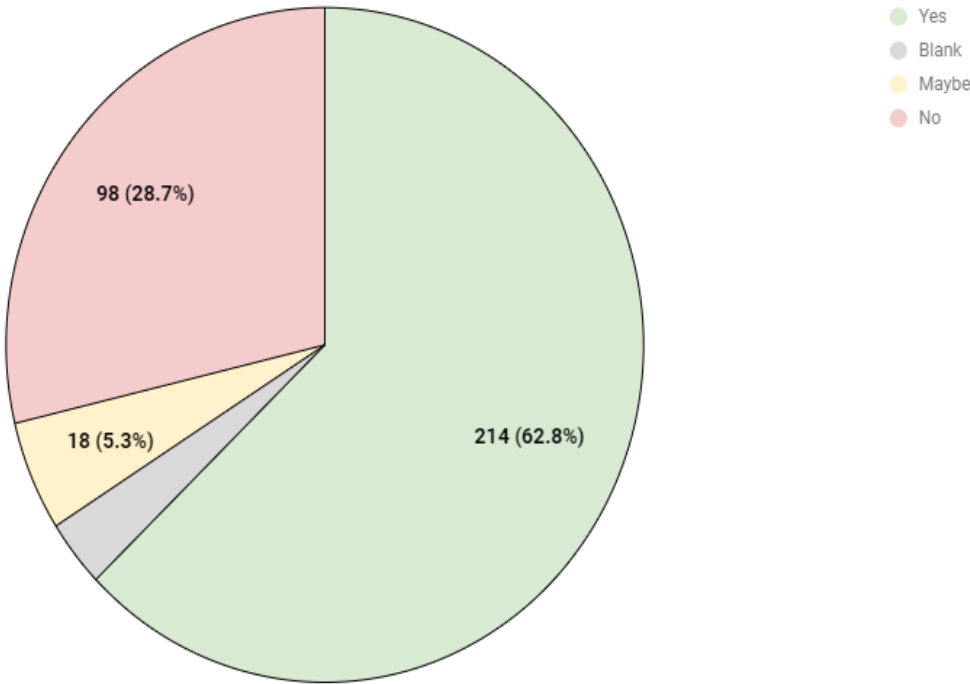


Question 3: Should 100% fruit juice be part of the sugar tax?

In total, 63% of respondents stated fruit juices should not be subject to the sugar tax.

However, there were suggestions to re-evaluate at a later date. Many responded that fruit juices should be subject to better labelling as the sugar in fruit may be natural but is consumed at a high rate in juice that can lead to health concerns. The 29% who thought it should be taxed felt that confusion exists over how much sugar is included in fruit juices.

Do you agree that 100% fruit juice should not be subject to the proposed tax?



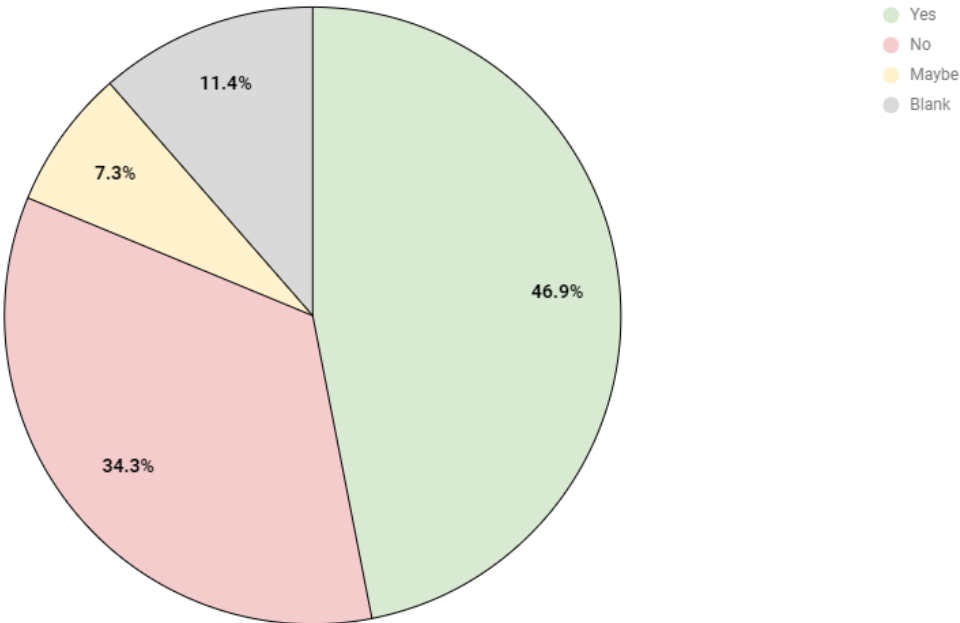
Question 4: Taxing dilutables

Overall, 47% of respondents agreed that the dilutables should be included in the sugar tax as they represented added sugars.

In total, 38% disagreed with taxing the dilutables, while 7% were unsure and 11% left the response blank.

Dilutables are slightly different products from sodas and juices as the person consuming them can adjust the concentration of the sugar.

What are your views on the treatment of dilutables (ie cordials), powders and liquid syrups for the proposed tax.

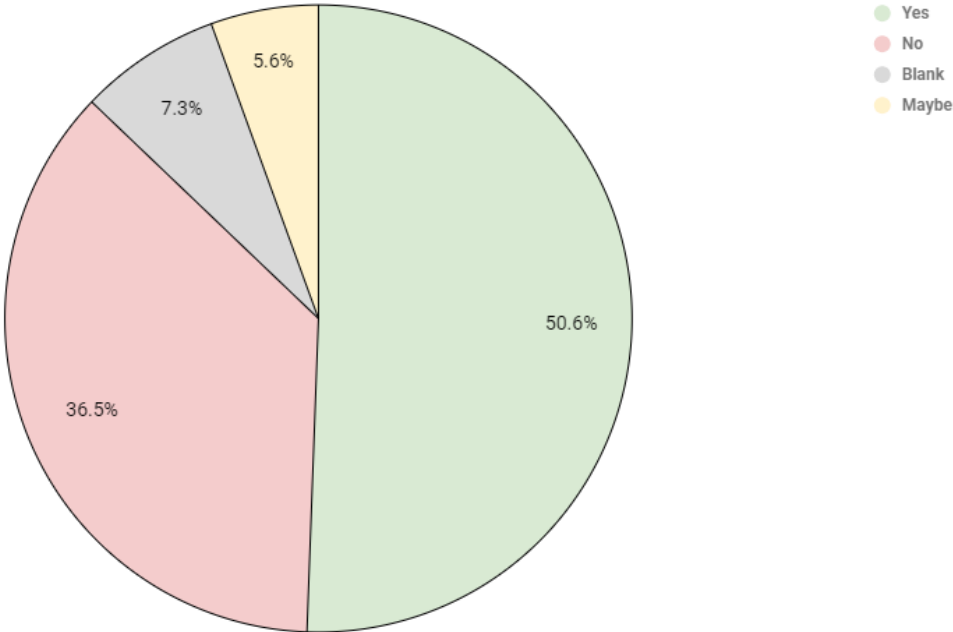


Question 5: Should milk-based items be excluded?

Half, or 51% of respondents agreed that milk-based products should be excluded from the tax.

Many reasons were provided, but included: it is staple, low calcium consumption is a public health concern and milk has a nutritional value. Many would like, however, for sugar-added milk items to be included at such time as it is possible. There were 37% who disagreed and thought milk-based items should be taxed, while 6% were unsure and 7% were blank. In particular those who thought milk-based items should be taxed suggested the following items: chocolate milk, frappuccinos and other sugar-sweetened milk-based items. Future work to differentiate between milk and sweetened milk items was identified repeatedly as an area to develop.

Do you agree with the exclusion of milk-based items? If not, which items should be included?



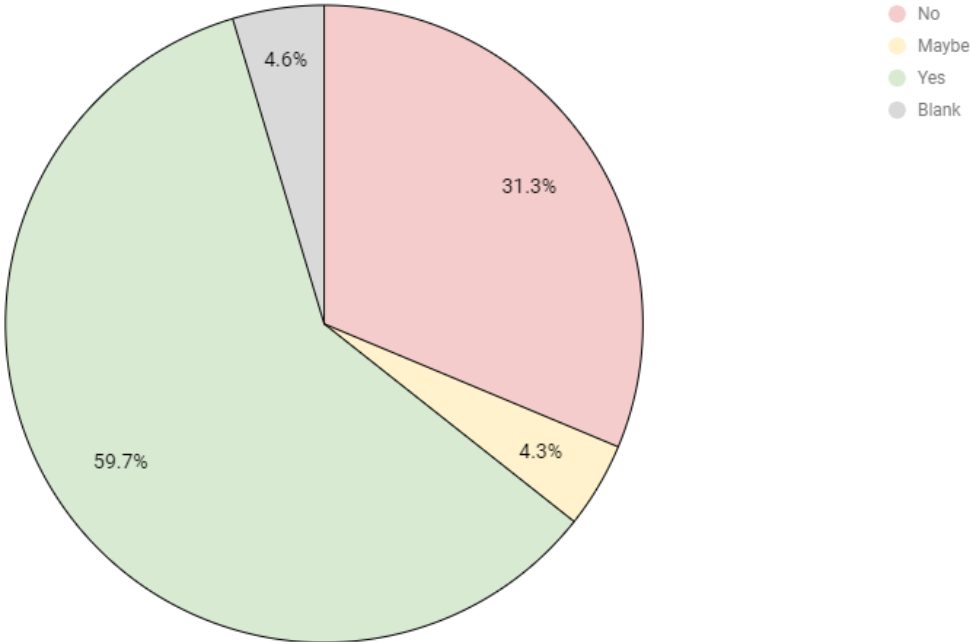
Question 6: Should candy and confectionery also be taxed?

Approximately 60% of respondents agreed that candy and confectionery should be subject to the Sugar Tax.

The respondents who did not believe they should be taxed were 31%, those unsure were 4% and 5% left it blank.

Candy and confectionery is included in tariff 1704.909 and includes gummy candies, marshmallows and other candy.

Should the Government include candy and confectionery (food) items?



Question 8 and 9 combined: Would 75% tax or 150% tax be the appropriate tax level for the Sugar Tax?

In questions 8 and 9, the Ministry of Health asked the public to indicate which level of tax would be appropriate - 75% or 150%. There was a variety of responses between the two questions, which is why they were combined in our review of the feedback.

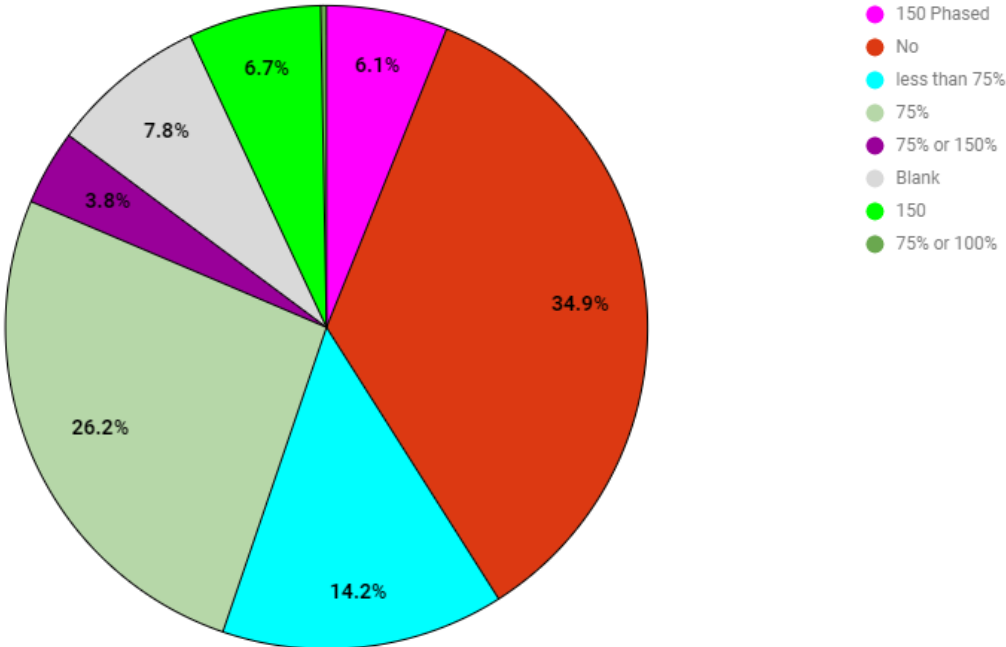
Many persons agreed with both 75 and 150 or even proposed new levels of taxation (e.g. 100%).

Overall, a greater proportion of respondents, 43%, agreed the sugar tax rate should be 75% or higher.

Further, 6% of respondents said that 150% should be used if 75% does not work as a deterrent.

Overall, 35% did not agree with taxation at all and 14% thought it should be less than 75%.

Tax Rate Feedback



Summary of Findings

Consultation on the Sugar Tax has provided very useful feedback from stakeholders and the public and the full analysis continues.

The initial summary of results included in this interim report find that:

1. There was more support for a sugar tax than opposition; a minority of respondents were opposed (52% in favour and 44% against).
2. 100% fruit juice should not be included at this time (63% agreed and 29% disagreed).
3. Milk-based items should not be included at this time (51% agreed and 37% disagreed)
4. Dilutables should be taxed (47% agreed and 38% opposed).
5. Candy should be taxed (60% agreed and 31% opposed).
6. The Tax should be 75% (43% in support).

Feedback also indicated that the public would like more nuance in the customs tariff to ensure the proper items are targeted.

These findings only constitute an interim report and further analysis of questions 7, 10 to 13 will be provided in due course.

Further proposals for the customs tariff and sugar tax will be prepared for future consideration once the full report is completed.

Annex I - Consultation Questions

Q1 – Do respondents agree the items identified to which the tax will apply are appropriate and do not target items of nutritional value?

Q2 – Are there additional items that should be a target of the sugar tax?

Q3 – Do you agree that 100% fruit juice should not be subject to the tax?

Q4 – Respondents are asked for their views on the treatment of dilutables, powders and liquid syrups for the tax.

Q5 – Do respondents agree with the exclusion of milk-based items? If not, which items should we include?

Q6 – Should the Government include these “food” items in the sugar tax or should we focus only on drinks?

Q7 - Respondents are invited to submit any evidence that the tax could have potentially adverse impacts on lower income persons.

Q8 - The Government would like for respondents to consider the 75% duty rate and whether this would be adequate for the first stage of the tax implementation.

Q9 - If 75% is not considered adequate, should 150% duty rate on these items be considered?

Q10 - Assuming that the importer will pass-on the additional cost to the customer, will the increases in cost change the public’s behaviour?

Q11 – Do respondents agree products which are given away free of charge should still be liable to the tax? If not, please provide examples of where relief may be appropriate and why.

Q12 – Are there any issues with the proposed reporting requirements that you think we should know about?

Q13 – Do respondents have any other concerns or suggestions around potential compliance risk?