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**NOTE**

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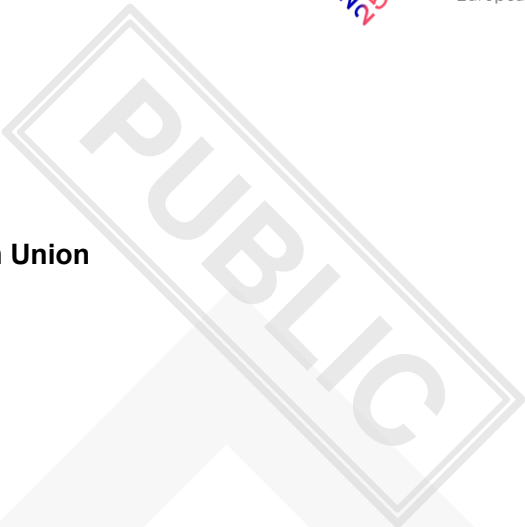
From:	Presidency
To:	Delegations

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Subject:	Health-based taxation in the European Union - Note by the Presidency
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In view of the meeting of the Working Party on Tax Questions (High Level) on 3 November 2025, delegations will find attached the Presidency note on health-based taxation in the European Union.



## Health-based taxation in the European Union

### Note by the Presidency

#### Objective

All EU Member States, to various degrees, use excise duties as a tax instrument to influence national consumer behaviour. Some of these excise duties have been harmonized at EU level, with regulation on inter alia minimum rates and definition of scope, to mitigate some of the adverse effects from cross-border shopping and illegal trade within the European Union.

In June 2025, the Fiscalis Project Group finalised the report *Exchange of information and best practices on taxes on non-alcoholic beverages*<sup>1</sup>. The Danish Presidency aims to have an exchange of views on the potential advantages and disadvantages of using excise duties to influence consumption behaviour with a potential positive effect on public health across the European Union and on whether there could be a potential for further harmonisation of excise duties at EU level.

#### General

Improving public health across the European Union is a declared objective for the European Union. Initiatives like *Europe's Beating Cancer Plan*<sup>2</sup> and *Healthier Together*<sup>3</sup> aim to increase the lifespan and quality of life for European citizens. Public health is tied to public finances directly through e.g. health expenditures (treatment) and indirectly through e.g. labour supply and productivity.

The effect of public health on public finances represents an externality – a cost (or benefit) borne by a third party not involved in a transaction (for example the consumption behaviour of households) leading to the cost (or benefit) not being reflected in prices. These external

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<sup>1</sup> [WK-document number to be added after circulation on Delegates portal]

<sup>2</sup> [https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/promoting-our-european-way-life/european-health-union/cancer-plan-europe\\_en](https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/promoting-our-european-way-life/european-health-union/cancer-plan-europe_en)

<sup>3</sup> [https://health.ec.europa.eu/non-communicable-diseases/healthier-together-eu-non-communicable-diseases-initiative\\_en](https://health.ec.europa.eu/non-communicable-diseases/healthier-together-eu-non-communicable-diseases-initiative_en)

costs and the behaviour they arise from is the central policy object for imposing taxes with public health in mind.

Consumption behaviour can be modified by imposing taxes that affect behaviour of consumers through distortion of prices (taxation of the externality<sup>4</sup>). Generally, the government can incentivise lower consumption of specific goods by taxing them more than other goods, and the external costs identified provide the basis for design of the tax. The effects of such taxation depend on a range of conditions such as preferences of consumers, prices compared to other countries (especially in the internal market) and ease of cross-border shopping for those specific goods.

Alcohol and tobacco are examples of goods where external costs – increased public healthcare costs – are identified, and EU harmonised excise duties that incentivise lower consumption are in place. Several Member States have higher excise duties in place for these products than the harmonised levels and tax additional products to those harmonized across the EU.

The Danish Ministry of Taxation uses an estimate for the national external costs of consuming a range of products, when advising on policy and design of the tax, *cf. table 1*. In a hypothetical scenario where cross-border shopping doesn't exist, the *balanced* duty equals the external cost. However, the potential cross-border trade from increased price differentials generally implies a lower social optimal tax level than suggested by the external costs alone, *cf. table 1*. This points to EU harmonisation as a means of bringing the balanced duty closer to the external costs.

**Table 1: Danish examples of external costs and excise duties across products**

	Beer	Spirits	Wine	Cigarettes	Sweetened beverages	Chocolate and sweets
	EUR per L ethanol	EUR per L ethanol	EUR per L	EUR cent per unit	EUR per L	EUR per kg
Estimated external cost (balanced duty)	21.5	21.5	2.6	41.6	0.07	0.33
Excise duty	6.5	20.1	1.5	26.4	-	3.5/3.0
Balanced duty with cross-border shopping	10.9	5.4	1.2	21.5	-	0
Cross-border shopping's effect on balanced duty	-10.6	-16.1	-1.3	-20.1	-	-0.33

Note: For wine, the duty on table wine with an ethanol share of 6%-15% is shown. For beer, an alcohol volume of 5 pct per litre is assumed. For spirits, an alcohol volume of 40 pct. per litre is assumed. For sweetened beverages and chocolate and sweets, only consumption of products with sugar are estimated to have external costs. Sweetened beverages are not subject to excise duties in Denmark. The Danish excise duty on chocolate and sweets have two different rates for products with sugar and sugar-free products. It will be abolished from 1<sup>st</sup> of July 2026.

<sup>4</sup> Cf. Pigou, Arthur Cecil (1920): The Economics of Welfare.

Further, the recently released Fiscalis report highlight information and best practices on how to design taxes that aim to address health aspects concerning consumption of non-alcoholic beverages, amongst them beverages sweetened with sugar and/or artificial sweeteners.

### **Factors to be kept in mind when designing the consumption taxes**

Several factors need to be considered when designing consumption taxes on specific goods with the aim of reducing consumption or conversely encouraging consumption through lower relative taxation. These factors are presented below. Balancing the wanted objectives with such considerations is not necessarily straightforward.

#### *Administrative costs*

Introducing consumption taxes is associated with administrative costs, as it requires a legal framework and a system for calculating and collecting the excise duty. While some of these costs are one-off costs related to the implementation, there are also permanent costs associated with having an excise duty in place. Companies must allocate resources to correctly calculate, report and pay their taxes, and the state must carry out controls to reduce fraud and ensure correct tax collection.

The mechanisms are similar for differentiated VAT rates. However, imposing specific excise duties on products that are considered unhealthy is generally viewed as both a more targeted and less administrative costly way of regulating consumer behaviour. This is because the scope of products subject to excise duties is often narrower, and because the taxing point often falls only once and at the earliest point possible in the distribution chain.

#### *Cross-border shopping and illegal trade*

If an excise duty in one Member State leads to high prices relative to other (especially nearby) Member States, the excise duty in question may have a more muted effect on consumption, due to potential cross-border shopping. This effect is amplified if price differentials are large, and if transport costs are low.

High domestic prices of goods due to relatively high taxation also create an incentive for illegal trade (smuggling). This is especially relevant for Member States sharing borders with third countries, although the goods can in principle and do flow across the entire internal market. Illegal cross-border trade (both intra- and extra-EU) reduces the revenue potential, and both illegal trade and cross-border shopping weakens the intended effect on consumption of an excise duty while contributing to the overall distortive cost of the tax.

### **Balancing the effects of consumption taxes**

When introducing a consumption tax, a comprehensive welfare analysis is needed to assess the balance between the objective (the welfare gains from taxing the externality) and the deadweight loss, as well as the effects on revenue, consumption (including those from cross-border shopping and illegal trade), and administrative costs.

Further, while redistribution is generally addressed in a less distortive way by using personal income taxation and income transfers<sup>5</sup>, excise duties may entail distributional effects. While they may not be intended, the distributional effects should be considered as part of the overall assessment.

If there is a political will to use taxation actively as part of an overall health policy, the question becomes how to design it to meet the objectives while mitigating undesired side effects. Alternatives to taxation, e.g. information campaigns, could also be considered.

### **EU regulation and national best practices**

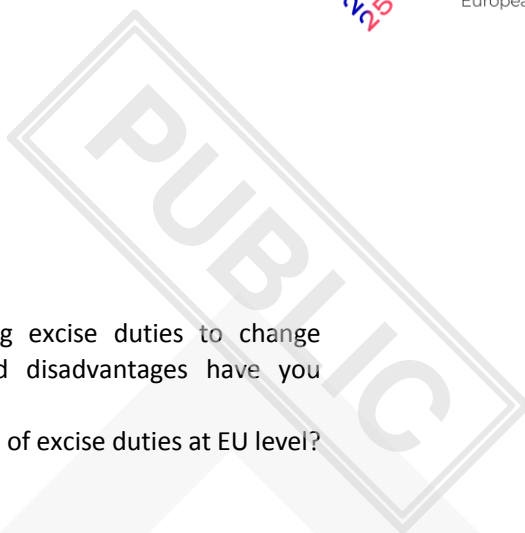
In the European Union, harmonisation of excise duties is a well-established policy instrument. The regulation includes inter alia minimum rates and definition of in-scope products. By harmonising excise duties at EU level, it is possible to mitigate some of the adverse effects from cross-border shopping and illegal trade within the EU, as price differentials are reduced. Harmonisation also allows for the application of common procedures on e.g. product scope and tax design which can benefit both operators and tax administrations and facilitate the handling of state aid issues.

The recent Fiscalis report, *Exchange of information and best practices on taxes on non-alcoholic beverages*, highlights non-alcoholic beverages such as sugar and artificially sweetened beverages as a product category not subject to EU regulation, but where regulation at the national level exists in many Member States. In the report, taxation of the sugar content has been reported to incentivise producer-driven product reformulation. When taxing sugar content, not only did the consumption of sugar decrease due to an increase in price of a given sugar sweetened beverage product, but there has also been a reported decrease in consumption due to producers reducing the sugar content in their beverages. Several Member States also reported that when taxing sugar sweetened beverages without accordingly taxing artificially sweetened beverages, consumers tended to switch their consumption towards the latter, highlighting the potential of affecting consumption behaviour with targeted taxation.

However, harmonisation at EU level must be balanced with considerations about national sovereignty, distributional effects, and administrative costs among others. Illegal trade from the outside of EU's borders should also be considered when increasing national taxation through harmonised standards. In any case, agreeing on common guidelines and enabling Member States to share best practices on excise duties would be beneficial.

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<sup>5</sup> Cf. the Atkinson-Stiglitz theorem of 1976: Atkinson, A. B.; Stiglitz, J. E. (1976). *The Design of Tax Structure: Direct versus Indirect Taxation*.



**Questions to the delegations:**

- What are Member States' national experiences of using excise duties to change consumption behaviour? What kind of advantages and disadvantages have you experienced?
- Do Member States see a potential for further harmonisation of excise duties at EU level? If so, in which areas, and on which types of products?

## Annex 1 FPG/044, Final report

### Taxes on non-alcoholic beverages in participating Member States

#### 1 Belgium

##### Taxation of non-alcoholic beverages in Belgium

###### Introduction

The excise tax on non-alcoholic beverages has been in place since 1939, indicating a long history of taxation in this sector. During this time, it has served as a source of revenue for the government. Since 2018, the revenues are roughly situated around 180 million euros for each year.

2016	2017	2018	2019	2020	2021	2022	2023
99,7	103,2	174,6	183,3	175	175,3	188,6	180,7

The most recent adaptations regarding the structure of the rates are introduced in 2018. The explanatory memorandum of this legislation states that the changes in rates are introduced '*for reasons of health policy*'. In addition to non-alcoholic beverages, coffee is also taxed.

###### Classification of types of non-alcoholic beverages and their tax rate

Non-alcoholic beverages are classified into various types, based on the CN-codes and around the presence of added sugar or sweeteners in the beverages. The distinction by added sugar/sweetener is crucial, as it influences the taxation rate. Beverages containing added sugars or sweeteners face higher tax rates compared to those without.

Taxation of the non-alcoholic beverages is based on flat rates, based on volume, or in case of substance like powders per weight.

A comprehensive description of each category of non-alcoholic beverage, combined with the applicable excise duty rate, is provided hereafter.

a. water, including natural or artificial mineral water and aerated water, not containing added sugar or other sweeteners, nor flavored, nor artificial ice falling within CN code 2201	0 euros per hectoliter
b. water, including mineral water and aerated water, with added sugar or other sweeteners, whether or not flavored, and other non-alcoholic drinks falling within CN code 2202, excluding drinks based on milk, soya or rice	11,9233 euros per hectoliter
c. flavored water, including mineral water and aerated water, without added sugar or other sweetening matter, falling within CN code 2202	6,8133 euros per hectoliter
d. beers as defined in article 4 of the Belgian law of 7 January 1998 on the structure and excise duties on alcohol and alcoholic beverages, of which the alcoholic strength by volume does not exceed 0.5% vol .	3,7519 euros per hectoliter
e. wine falling within CN codes 2204 and 2205, with an alcoholic strength not exceeding 1.2% vol .	3,7519 euros per hectoliter
f. other fermented drinks falling within CN codes 2204 and 2205 and those falling within CN code 2206, of which the alcoholic strength by volume does not exceed 1.2% vol.	3,7519 euros per hectoliter

g. beverages falling within CN code 2208, of which the alcoholic strength does not exceed 1.2% vol.	3,7519 euros per hectoliter
h. unfermented fruit juices and unfermented vegetable juices, not containing added alcohol, with or without added sugar or other sweetening matter falling within CN code 2009	0 euros per hectoliter
i. any substance, in whatever form, manifestly intended for the manufacture of the non-alcoholic beverages specified in b), whether in retail packaging or in packaging intended for the manufacture of such non-alcoholic beverages ready for use	- in liquid form: 71,5405 euros per hectoliter - in powder or granular form or in another solid form: 119,2343 euros per 100 kilograms
j. any substance, in whatever form, manifestly intended for the manufacture of the non-alcoholic beverages specified in (c), whether in retail packaging or in packaging intended for the manufacture of such non-alcoholic beverages ready for use	- in liquid form: 40,8803 euros per hectoliter - in powder or granular form or in another solid form: 68,1339 euros per 100 kilograms.

In 2018, changes occurred in the taxation of non-alcoholic beverages, particularly concerning beverages with added sugar or sweeteners. Tax rates for sodas containing such additives were increased. The rates for substances, intended for the manufacturing of such beverages, has been changed in the same way. This increase has not been applied for flavored waters without added sugars/sweeteners.

### Out of scope / exemptions / zero rate

Beverages based on milk, soy or rice are excluded from the scope of taxation under this legislation.

Additionally, water (unflavored and without added sugar/sweeteners) and fruit and vegetable juices are subject to a zero tax rate.

Specific exemptions apply for the following products:

- a. beverages composed of fruit or vegetable juices intended for the feeding of infants;
- b. products intended for use in research, quality control, and taste testing;
- c. water intended to be distributed free of charge by official entities in response to disasters;
- d. coffee intended for purposes other than roasting or the manufacture of coffee extracts.

### Harmonised procedures

To provide a follow up of the non-alcoholic beverages, an excise duty suspension regime is foreseen to ensure the necessary control measurements.

The design of these procedures is inspired on the procedures for the harmonized products subject to excise duty, such as energy products and electricity, alcohol and alcoholic beverages and tobacco.

Summarized, a tax warehouse is needed, where the beverages can be produced, received, and sent without payment of excise duties.

Of course, operators with such a tax warehouse are subject to various obligations aimed at ensuring compliance with the legal requirements. These obligations include: maintaining stock accounts, accepting inventory checks, introducing declarations if needed, provide a security,...

### Evaluation

No evaluation or follow-up is in place to analyze the effectiveness of our regulation for its health objectives.

### State aid and other challenges

We do not encounter any issues regarding state aid within the scope of non-alcoholic beverages. However, it's essential to remain aware about potential challenges that may arise in the future.

Despite the absence of explicit state aid problems, several challenges exist, needing attention:

- a. Difficulty in tracing transferred beverages: One significant issue exists around the difficulty in tracing beverages transferred from other EU member states to Belgium. This lack of traceability poses challenges in enforcing compliance with taxation and regulatory requirements.
- b. Administrative burden for operators: Beverage transfers to Belgium impose a considerable administrative burden on operators, particularly smaller entities with limited resources and transaction volumes. The complexity of administrative procedures and regulatory compliance requirements can disproportionately impact these smaller operators (for example, regarding obtaining and fulfilling the obligations of a tax warehouse)
- c. While milk-based beverages are excluded (incl. drinks based on soy or rice), operators point out the different treatment of other than plant based milk drinks based on alternative sources such as oat milk, almond milk, and others.

### National legislation

The relevant legislation can be consulted (in Dutch and French), using the following weblinks:

- [The law regarding the excise duty system for non alcoholic beverages and coffee](#)
- [The Royal Decree regarding the excise duty system for non alcoholic beverages and coffee](#)
- [The Ministerial Decree regarding the excise duty system for non alcoholic beverages and coffee](#)

## 2 Croatia

### Tax on non-alcoholic beverages in Croatia

Croatia has experience on taxation of non-alcoholic beverages since 1994. when first law for taxation of non-alcoholic beverages has been introduced. Since then, Croatian legislative saw changes in 2013. when new law was entered into force: Law on a special tax on coffee and non-alcoholic beverages. Last and most impactful change was implementing Regulation on the method of calculations and amounts of the components for the calculation of the special tax on coffee and non-alcoholic beverages in 2020. when Croatia changed taxation system - moved from previous linear system based exclusively on quantity to a system based on volume and the content of total sugar, methylxanthines and taurine.

### OBJECTS OF TAX

Objects of taxation are non-alcoholic beverages placed on the market in the Republic of Croatia. Non-alcoholic beverages are products under tariff code CN 2009 and 2202 and other beverages with alcohol content not higher than 1.2 % under tariff codes CN 2204, 2205, 2206 and 2208. Powders, granules, syrups and concentrates intended for the preparation of non-alcoholic beverages, regardless of their classification in the combined nomenclature, are also considered products which are taxed.

As mentioned, Croatian taxation system of non-alcoholic beverages is based on volume and content of total sugar, methylxanthines and taurine.

Methyl-xanthine are considered: caffeine (1,3,7-trimethyl-xanthine), theobromine (3,7-dimethyl-xanthine) and theophylline (1,3-dimethyl-xanthine).

Taurine is considered a compound of the chemical formula  $\text{H}_2\text{N}-\text{CH}_2-\text{CH}_2-\text{SO}_2-\text{OH}$ .

### TAXPAYERS

Taxpayers of special tax on non-alcoholic beverages are:

1. authorized tax warehousekeeper
2. manufacturer and trader out of the system of special tax suspension arrangement

3. recipient
4. the person who is established to have been engaged in an unlawful practice with the subject of taxation in the Republic of Croatia

### TAX RATES

Special tax on non-alcoholic beverages is paid according to the volume expressed in hectolitre of non-alcoholic beverage. The volume of non-alcoholic beverages obtained from powders and granules intended for the preparation of non-alcoholic beverages is determined according to the volume of the product prepared.

Special tax on non-alcoholic beverages is also paid according to the sugar content if the non-alcoholic beverages do not contain methyl-xanthine or taurine.

Non-alcoholic beverages under CN 2009 and 2202 and other non-alcoholic beverages Powders and granules	Grams of sugar g/100 ml	EUR/hl sugar	EUR/hl volume
1.group	0-2	0,00	2,65
2.group	2,001-5	1,33	2,65
3.group	5,001-8	3,98	2,65
4.group	8,001-	7,96	2,65

Syrups and Concentrates	Grams of sugar g/100 ml	EUR/hl sugar	EUR/hl volume
1.group	0-14	0,00	18,58
2.group	14,001-35	9,29	18,58
3.group	35,001-56	27,87	18,58
4.group	56,001-	55,74	18,58

Special tax on non-alcoholic beverages containing methyl-xanthine but not containing taurine will be paid according to the methyl-xanthine content. On non-alcoholic beverages whose methyl-xanthine content is less than 15 mg / 100 ml of the product, special tax shall be paid according to the sugar content.

	EUR/hl methylxanthines	EUR/hl volume
Non-alcoholic beverages under CN 2009 and 2202 and other non-alcoholic beverages Powders and granules	10,62	2,65
Syrups and concentrates	74,32	18,58

The special tax on non-alcoholic beverages containing taurine will be paid according to the taurine content.

	EUR/hl taurine	EUR/hl volume
Non-alcoholic beverages un- der CN 2009 and 2202 and other non-alcoholic beverages Powders and granules	26,54	2,65
Syrups and concentrates	185,81	18,58

## EXEMPTIONS AND DEDUCTIONS

No special taxes should be payable for products which are, according to special regulations, considered to be food for special dietary needs or dietary purposes. Also, for non-alcoholic beverages that contain products from CN 0401 to CN 0404 (if not containing methylxanthines or taurine) and non-alcoholic beverages from CN 2009 and CN 2202 with 100% content of fruit or vegetables without added sugars or other sweetening matter and sweeteners, special tax is not payable.

Deduction is applicable for fruit nectars and beverages under tariff code CN 2009 containing added sugars, the amount of the special tax determined on the basis of sugar content shall be reduced by the percentage amount of the fruit content which is contained in fruit nectar or beverages under tariff code CN 2009.

## NOTICED CHANGES

There were few changes noticed since implementing Regulation on the method of calculations and amounts of the components for the calculation of the special tax on coffee and non-alcoholic beverages in 2020. Mainly, producers of syrups intended for the preparation of non-alcoholic beverages, changed recipe in a way that they reduced total content of sugar or replaced sugars with sweeteners. Energy drink producers also changed formula of their drinks by eliminating taurine or replacing taurine with methylxanthines.

Tax reform in 2020. Instigated removing high sugar drinks from market and encouraged development of products containing less total sugar which led to emergence of healthier alternatives on the market.

### 3 Czechia

#### Taxation on non-alcoholic beverages in the Czech Republic

State of play

- No SSB applicable
- At the very beginning of political and expert discussions

### 4 Denmark

#### Abolished tax on non-alcoholic beverages in Denmark

In 1940 Denmark introduced a tax on some non-alcoholic beverages for fiscal reasons. To address cross-border and illegal trade issues, the tax rates were halved in July 2013 and abolished in January 2014.

#### Soft drink tax

*Rates and tax base*

The tax system targeted a specific tax base, including carbonated soft drinks and similar beverages, as well as syrups/concentrates to produce fountain drinks.

Since 2010 the tax rates were differentiated based on the sugar content. Drinks above or below 0.5 g of added sugar per 100 ml was subject to different taxation. Naturally occurring sugars were considered irrelevant in this context.

From January 2013 the tax rates were set at 1.64 DKK/pr. litre or 0.59 DKK/pr. litre (equivalent to approximately 0.22 EUR/pr. litre or 0.087 EUR/pr. litre).

By 2012 (2024-level), tax revenue had reached approximately 770 million DKK (equivalent to approximately 100 million EUR). Syrups and concentrates were taxed based on the volume of the finished product.

*Legal issues*

As the tax base did allow for some discretion (i.e. included the term “similar beverages”), and since the tax was in force for a very long time, market developments did lead to practices, that was not foreseen by manufacturers and importers. This related amongst others to borderline and novelty products as well as authorisation as producers of some businesses.

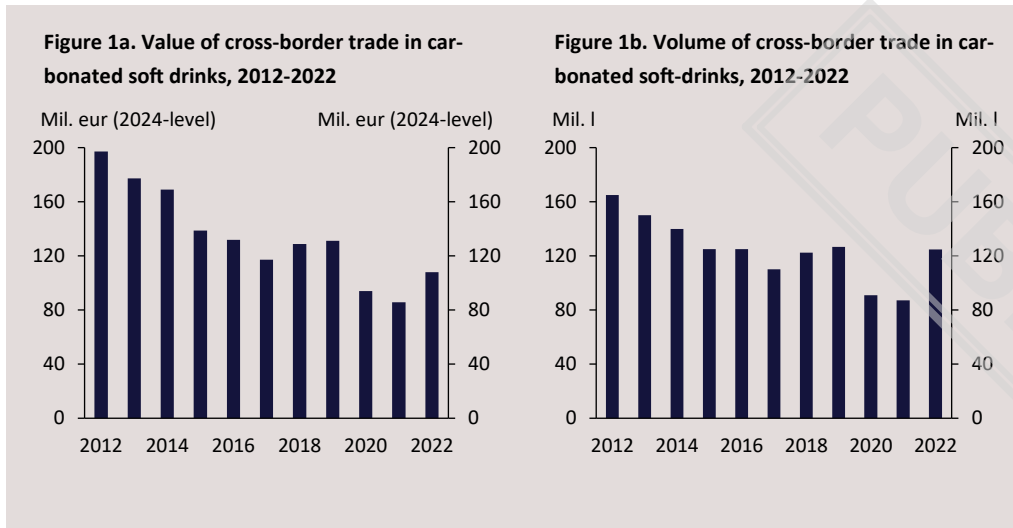
For instance, sparkling water with added flavours or sweetened iced tea that did not taste like tea, were deemed taxable products even though sparkling water and tea were not. These distinctions were made, as consumers might substitute the flavoured water and iced tea for soft drinks.

Usually excise duties aim to require authorisation by a small number of businesses (i.e. producers and importers). However, at some summer fairs, stalls produced drinks on site. To avoid state aid issues, these small “ad hoc” producers, had to be authorised as producers. It presents the question whether the administrative burden on the businesses and the tax administration would be proportionate with the collected tax.

#### Cross-border trade in carbonated soft drinks

Despite the abolishment of the tax system targeting carbonated soft drinks, it is estimated that there is still a relatively large amount of cross-border trade in carbonated soft drinks. In 2014, it was estimated that the cross-border trade in carbonated soft drinks amounted to approximately 170 million EUR (2024-level), while in 2022, it is estimated to have amounted to approximately 110 million EUR (2024-level), *cf. figure 1a*. Correspondingly, the volume of cross-border trade in carbonated soft drinks has decreased from approximately 140 million litre in 2014 to around 125 million litre in 2022, *cf. figure 1b*.

Figure 1. Value and volume of cross-border trade

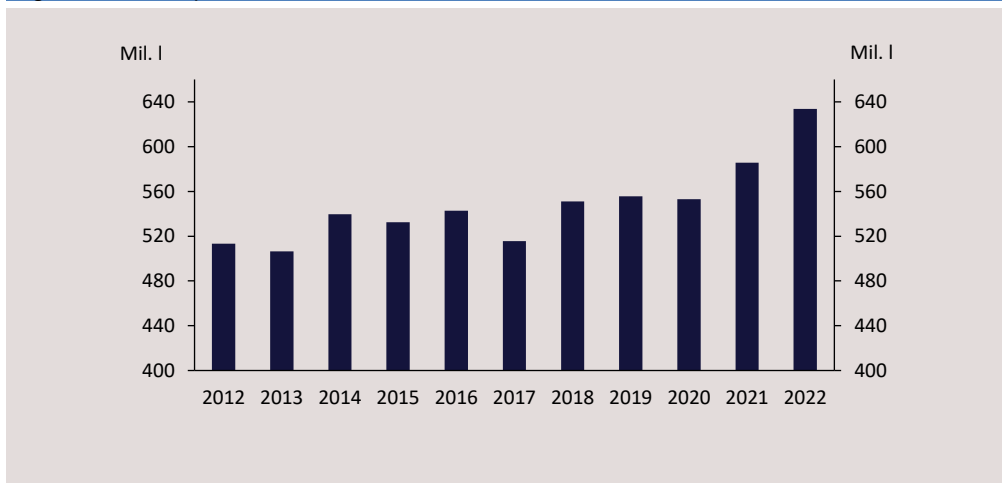


Source: The Danish Ministry of Taxation.

## Consumption of carbonated soft drinks

The abolition of the tax has led to a noticeable increase in the consumption of carbonated soft drinks, from approximately 540 million litre in 2014 to around 635 million litre in 2022, *cf. figure 2*.

Figure 2. Consumption of carbonated soft drinks in Denmark, 2012-2022



Source: Danish Brewers' Association and own calculations by the Danish Ministry of Taxation.

## 5 Finland

### Tax on non-alcoholic beverages in Finland

Finland applies an excise duty on non-alcoholic beverages since 1940. The objective of the tax is mainly fiscal, but a health objective was added as a secondary goal in 2014. In line with the fiscal objective, the tax base includes all ready-to-drink beverages except milk, plant-based milk, tap water, coffee, tea, and some other minor exceptions. The exclusion of milk and plant-based milk can be justified on the basis that milk constitutes a significant element in diets in Finland.

Small-scale manufacturing of soft drinks is also excluded from the excise duty. The excise duty is not levied if the beverages have been manufactured by a manufacturer that is independent of other operators in the sector and releases no more than 70,000 litres of soft drinks for consumption during the calendar year. State aid for small-scale producers in the form of a tax exemption is granted on the basis of the EU *de minimis* regulation.

Until 2014, all beverages were taxed at a similar rate, but since 2014, the tax rate has been differentiated for sugar-free and sugar-containing drinks in order to lower sugar consumption. The difference in duties between sugar-free and sugar-containing beverages has since been increased by allocating higher tax increases to sugar-containing beverages. The amount of the duty is currently 32 cents per litre for sugar-containing beverages and 13 cents per litre for sugar-free beverages.

Parliament has approved a further tax differentiation according to sugar content, which is stated in the relevant tax law but not yet in force. In place of the current two tax brackets, the excise duty will be differentiated into six brackets based on the sugar content of the product. The lowest tax bracket will be levied on sugar-free products as in the current system. The tax on sugar-free products will be decreased to 9 cents from the current 13 cents per litre. The amount of tax on beverages containing sugar will be 16, 24, 32, 40, or 48 cents per litre, depending on the sugar content (currently 32 cents per litre).

more than, g/100ml	max, g/100ml	tax rate, eur/l
	0,5	0.09
0.5	2.5	0.16
2.5	5	0.24
5	8	0.32
8	11	0.40
11		0.48

The amended Act on excise duty on soft drinks has been notified to the European Commission to ensure legal certainty in terms of the State Aid rules. The legislative amendments are scheduled to enter into force on a date provided by government decree after State aid approval has been received.<sup>1</sup>

Sugar-free drinks are defined as drinks with a sugar content no more than 0.5g/100ml. Therefore, beverages with artificial sweeteners are taxed at the lower rate. Total sugar content counts since sugar is considered harmful to health, whether it is added or a natural ingredient in the beverage.

In Finland, harmonized excise duty procedures are applied *mutatis mutandis*.

Since the tax rates have been differentiated between sugar-free and sugar-containing beverages, the share of sugar-free beverages in the total tax base for non-alcoholic beverages has increased from a third in 2014 to almost half in 2023. Although this might be partly explained by an increasing trend in consumption of sugar-free beverages, according to an empirical study with rich and detailed data, the tax differentiation shifted consumption from sugar-containing to sugar-free drinks (Tutkimusraportti\_ Kosonen Tuomas, Jysmä Sami, and Savolainen Riikka (2024). Studying a Sin Tax Scheme with Multiple Reforms - Lessons for Consumption Taxation. VATT Working Papers 164.pdf).

Regarding State Aid issues, several complaints concerning the tax base have been made over the years.

Several other issues have also been raised. The lack of information on sugar content in non-pre-packaged drinks has proven to be a problem. Additionally, different health aspects have been brought up besides the sugar content of the beverage. For example, beverages with high fruit, berry, or vegetable content have sometimes been considered healthy despite their sugar content. Some instances also see the need to take dental health aspects into account (sugar-free carbonated drinks are also harmful to teeth).

<sup>1</sup> See [SA\\_104131 FI-Reform of the Soft Drinks Tax](#) (decision of 23.5.2025). During the State aid process, it was concluded that the Act on Excise Duty on Soft Drinks needs to be amended in certain respects to comply with the State aid rules. The legislative process is currently underway.

## 6 France

### NOTE FOR FISCALIS PROJECT GROUP ON EXCHANGE OF INFORMATION AND BEST PRACTICES ON TAXES ON NON-ALCOHOLIC BEVERAGES

**Subject** : presentation of contributions on sugary drinks (art. 1613 ter of the CGI), on beverages containing sweeteners (art. 1613 quater of the CGI) and on energy drinks (former art. 1316 bis A of the CGI)

Note update: The Social Security Financing Act (LFSS) increases the tax on sugary drinks

#### 1. Contribution on sugary drinks (article 1613 ter of the French General Tax Code – CGI)

##### 1.1. Objective of the tax

This contribution pursues a public health objective and promotes a balanced diet as an essential component of public health. By increasing the price of the beverages concerned, the amount of the contribution is designed to dissuade consumers and steer them towards other types of beverage. The proceeds of the tax are **allocated to the social security budget**<sup>2</sup>.

##### 1.2. Design of the tax

The beverages concerned are those meet the following three cumulative conditions :

- They are fruit or vegetable juices, waters, non-alcoholic beers, mixtures of beers and non-alcoholic beverages not exceeding 0.5% vol. or any other non-alcoholic beverage;
- They contain sugars added;
- They sold in hermetically sealed containers or made from various ingredients assembled at the time of delivery to the end consumer.

However, infant milks, growing up milks and certain soy based drinks are exempt.

The contribution rate is applied to the volume of taxable product (in per hectoliter). Until this year, this rate was determined according to a progressive scale (15 thresholds) based on the added sugar content (in kilograms per hectoliter) of the taxable product.

Since March 1, 2025, the French Parliament has modified<sup>3</sup> the tax scale to make it more behaviorally effective, by reducing the number of thresholds from 15 to 3 and increasing the rates applicable to each of these thresholds. The aim is to encourage producers to modify their beverage recipes.

The tax rate is adjusted for inflation on January 1st of each year.

Those liable to pay the contribution must have a document enabling them to identify the quantities of sugars added to each product. Otherwise, the tariff will be applied to the total quantity of sugars contained in the product.

##### 1.3. Possible state aid discussions or rulings

No difficulties have been identified concerning state aid.

##### 1.4. Harmonised excise procedures or other? Concerns about administrative burden? Concerns about tax evasion?

Previously, the tax was managed and collected by the Directorate General of Customs (DGDDI), according to rules specific to non-alcoholic beverages. Since January 1, 2019<sup>4</sup>, the Public Finance Department (DGFIP) has been managing, controlling and collecting the contribution on beverages containing added sugars. It is declared and paid in the same way as value-added tax (VAT). It is declared for each company, in electronic form.

The amounts of these taxes collected by the DGFIP on December 31, 2023, have risen rise from €541 million in 2019 to €575 million in 2023, an increase of 6.2%. From this point of view, the declarative assessment of the transfer of contributions on non-alcoholic beverages on December 31, 2023 appears satisfactory overall and will not impact yield.

<sup>2</sup> More precisely to the French social protection scheme for salaried workers in the agricultural professions.

<sup>3</sup> Article 31 of the Social Security Financing Act, adopted on February 28, 2025.

<sup>4</sup> <https://www.impots.gouv.fr/actualite/lunification-du-recouvrement-des-taxes-par-la-dgfip-se-poursuit>

With regard to tax evasion, difficulties arose in 2017 when a legal loophole was identified: distance sales were not taxed. Article 1613 ter was therefore amended, requiring operators based outside France to appoint a tax representative, who would declare and liquidate the tax.

#### 1.5. Evaluations of effectiveness: references to any empirical/other evaluations?

One of the latest evaluation realised about this tax has been conducted in 2016 by the French Senate. This is an information report resulting from work of a mission on the taxation of agri-food products<sup>5</sup>. The report points out that the tax not only sends a coherent price signal to consumers, but also has other advantages : compared with most food taxes, it has a broad base, which means a high yield, and its operation appears to be administratively satisfactory<sup>6</sup>.

A more technical evaluation was carried out by the General Health Department of the French Health ministry. The final report was published in May 2024. According to this report, the 2018 reform on the sugar tax introduced a scale whereby each additional gram of added sugar increases the tax burden (continuous scale). The conclusions are as follows:

- The reform has had no significant impact on the sugar content of drinks;
- It had little impact on prices and on consumption (however, the estimated impact on quantities purchased is around -2.2% per household per month).

## **2. Contribution on beverages containing sweeteners (article 1613 quater CGI)**

### 2.1. Objective of the tax

Modelled on the tax on sugary drinks, the tax on sweetened beverages is intended as an incentive. Like the contribution on sugary drinks, it is proportional to the quantity of beverages containing synthetic sweeteners, whatever the quantity. The proceeds of the tax are **allocated to the social security budget**<sup>7</sup>.

### 2.2. Design of the tax

The beverages concerned by this tax are those that meet the following three cumulative conditions:

- They are fruit or vegetable juices, waters, non-alcoholic beers, mixtures of beers and non-alcoholic beverages not exceeding 0,5% vol. or any other non-alcoholic beverage;
- They contain artificial sweeteners;
- They sold in hermetically sealed containers or made from various ingredients assembled at the time of delivery to the final consumer.

However, beverages for special medical purposes and high protein beverages for undernourished people, or "oral nutritional supplements" are exempt.

The contribution is based on the volumes delivered, which constitute the taxable event. The rate of the contribution is applied to the volume of taxable product (in per hectoliter). The rate is adjusted according to inflation on January 1st of each year.

Furthermore, the French Parliament recently increased the rates of this contribution to improve its effectiveness: from January 1, 2026, the rate will rise from €3.34 per hectoliter to €4.5 per hectoliter for products containing a quantity of synthetic sweeteners less than or equal to 120 milligrams per liter, and to €6 per hectoliter for other products containing synthetic sweeteners<sup>8</sup>.

### 2.3. Possible state aid discussions or rulings

No difficulties have been identified concerning state aid.

### 2.4. Harmonised excise procedures or other? Concerns about administrative burden? Concerns about tax evasion?

The same answer can be given as for the tax on sugary drinks.

### 2.5. Evaluations of effectiveness: references to any empirical/other evaluations?

<sup>5</sup> <https://www.assemblee-nationale.fr/14/pdf/rap-info/i3868.pdf>

<sup>6</sup> P. 107 and p. 108.

<sup>7</sup> More precisely to the French social protection scheme for salaried workers in the agricultural professions.

<sup>8</sup> Article 31 of the Social Security Financing Act, adopted on February 28, 2025.

The 2016 Senate report mentioned in section 1.5 refers to this tax, but it is not strictly speaking an evaluation. In any case, the report indicates that this tax has a low yield and a limited effect on the consumption of these beverages.

### 3. The former tax on energy drinks (article 1613 bis A CGI)

#### 3.1. Objective of the tax

The tax on energy drinks was introduced in France in 2014 under Article 1613 bis A of the CGI (Article 18 of Law no. 2013-1203 of December 23, 2013<sup>9</sup> on the financing of social security for 2014) to prevent the undesirable health effects of this type of beverage. The aim was to tax sodas like Redbull.

The proceeds of the tax are **allocated to the social security budget**<sup>10</sup>.

#### 3.2. Design of the tax

This tax initially applied to energy drinks containing a minimum threshold of 220 milligrams of caffeine per 1,000 milliliters. The rate was set at €103.02 per hectoliter. However, in the course of litigation brought by the Redbull company, the French Constitutional Council examined the tax's compliance with the principle of equality before the law. Following this examination, the Constitutional Council censured the tax on the grounds that it was levied only on so-called "energy drinks" and not on other drinks not classified as such but with the same level of caffeine. This introduced a difference in treatment unrelated to the purpose of the tax, in violation of the principle of equality before taxation (decision no. 2014-417 QPC of September 19, 2014<sup>11</sup>).

As a result, the legislator amended article 1613 bis A of the CGI by deleting the expression "energy drinks". From January 1, 2015, the tax therefore applied to all beverages containing a certain level of caffeine, not just energy drinks.

**Ultimately, the tax was repealed in 2017 due to its excessively low yield** (article 87 of law no. 2016-1917 of December 29, 2016 on finance for 2017). Indeed, according to initial government forecasts, the tax was expected to bring in around €60m a year. However, energy drink manufacturers managed to circumvent the tax by lowering the caffeine content of their drinks to below the threshold of 220 milligrams per 1,000 milliliters.

#### 3.3. Possible state aid discussions or rulings

No difficulties have been identified concerning state aid.

#### 3.4. Evaluations of effectiveness: references to any empirical/other evaluations?

The 2016 Senate report mentioned in section 1.5<sup>12</sup> called for the tax to be abolished, since it no longer affected the products it was initially intended to target, but instead weighed heavily on products that were not targeted and which raised no health concerns. In fact, the report pointed out that the narrowing of the tax base has had a significant impact on tax revenues (forecasts were that the tax would bring in €30 million, whereas in reality it only brought in €3 million). Above all, it was no longer aimed at the beverages initially targeted.

Tax	legal reference	Rate and tax base	Beneficiary	Tax Yield (Finance bill for 2025)
<b>Contribution on sugary drinks</b>	Article 1613 ter of the General Tax Code	Non-linear progressive scale, comprising 15 tax categories, ranging from €3.50 per hectolitre of beverage to €27.34 (2025) per hectolitre.  Above 15 kg of added sugar per hectolitre of beverage, the rate applicable per additional kg is set at €2.32 (2025) per hectolitre of beverage.	Health insurance	€481 M

<sup>9</sup> <https://www.euractiv.com/section/health-consumers/news/french-mps-vote-for-tax-on-energy-drinks/>

<sup>10</sup> More precisely to the French National Health Insurance Fund (Caisse nationale de l'Assurance Maladie / CNAM) is the main public health insurer in France ; it covers 93 % of the French population (salaried workers, self employed workers, and students).

<sup>11</sup> <https://www.conseil-constitutionnel.fr/decision/2014/2014417qpc.htm>

<sup>12</sup> <https://www.assemblee-nationale.fr/14/pdf/rap-info/i3868.pdf>

		<b>Since March 1, 2025 :</b> ranging from €4 per hectolitre of beverage to €35 per hectolitre.		
<b>Contribution on sweetened drinks</b>	Article 1613 quater (2° of II.) of the General Tax Code	Linear scale set at €3.50 (2025) per hectolitre for products containing artificial sweeteners  <b>from 1 January 2026 :</b> €4.5 per hectolitre for products containing up to 120 milligrams of artificial sweeteners per litre, and to €6 per hectolitre for other products containing artificial sweeteners.	Health insurance	€48 M

## 7 Hungary

### Tax on „non-alcoholic” beverages in Hungary

#### The purpose of regulation

Act CIII of 2011 on the Public Health Product Tax entered into force on 1 September 2011. The aim of the legislation is to increase the resources available for healthcare. The income from the public health product tax forms the income of the Health Insurance Fund.

It is also intended to change the supply of food products on the market towards healthy eating and to encourage food industry operators to produce such products.

#### Revenue

The product tax is levied on the distribution of products whose consumption has been proven to present a health risk. In this regard, a significant health risk factor is the product's significant sugar, sweetener, salt or saturated fatty acid content, as well as the stimulant content of certain beverage products containing added sugar or sweetener.

Revenue				
2019	2020	2021	2022	2023
56 809 917 495 Ft	59 666 925 500 Ft	66 538 640 426 Ft	83 795 499 295 Ft	92 118 488 939 Ft

Public health product tax revenue trends for taxable beverages in 2023

Products	2023
soft drinks	19 708 478 017 Ft
energy drinks	8 565 227 235 Ft
flavored beers	267 547 631 Ft
alcoholic refreshers	32 073 592 Ft

## Output data for taxable beverages

Products	2023
soft drinks	1 243 806 581 liter
energy drinks	108 430 130 liter
flavored beers	20 444 977 liter
alcoholic refreshers	1 030 091 liter

## Subject of the tax

The public health product tax is a classic single-phase sales tax. The first domestic sale of a product containing various sugars, sweeteners, salt, saturated fatty acids and stimulants is the subject to tax, thereby creating the producers' responsibility.

The subject of the tax is the domestic manufacturer of the product, or the business company that purchases it from abroad, provided that the relevant product is sold domestically. Sales abroad are tax-free.

## Taxable products

The taxable products are defined using the tariff headings of the Combined Nomenclature set out in Annex I to Council Regulation (EEC) No 2658/87 of 23 July 1987 on the tariff and statistical nomenclature and on the Common Customs Tariff, as in force on 15 May 2022.

Under the current legislation, the following are taxable products:

According to current regulations taxable goods are:

- **Soft drinks** (products covered by headings 2009 and 2202 that contain sugar and/or sweetener and squash)
- **Energy drinks** (products under headings 2009 and 2202 that contain stimulants)
- Pre-packaged products with added sugar (products under headings 1704, 1905, 2105, that contain sugar or sweetener, or products covered by headings 1806 and 1806 10 containing cocoa and sugar and/or sweetener)
- Snacks (according to salt or saturated fat amount baked, extruded, toasted, expanded or roasted products suitable for immediate consumption under headings 1904, 1905, 2005 20 20, 2005 99, 2008; products under heading 2008 containing oil seeds and added fat; and products under heading 1905 that contain salt, sugar and/or sweetener)
- Seasonings (according to salt content products under headings 2103, 2104)
- **Flavored beer** (beverages containing beer and sugar and/or sweetener)
- **Alcoholic refreshments** (beverages under heading 2208 of an alcoholic strength by volume 5 per cent vol. or less containing sugar and/or sweetener)
- Marmalades (products under heading 2007 containing sugar and/or sweetener)
- Sweets (products under headings 1904, 2006, 2008, not covered as snacks, containing sugar)
- Pre-packaged sweet, salted pastries (products under headings 1901 20, 1902 containing sugar and/or sweetener or salt, and products under heading 1905 90 80 not covered as snacks or pre-packaged products with added sugar)

## Tax rate

The tax rate was determined in bands, taking into account the content of added sugar, salt, stimulant, saturated fatty acid, and sweetener per 100g/100ml product or 100g/100g product weight.

	Soft drinks		Soft drinks (squash)	
<b>add.sugar, total sugar &gt; 8 g/100 ml</b>	23 HUF/l	0,06 Eur/l	310 HUF/l	0,81 Eur/l
<b>add.sugar &amp; sweetener</b>				
<b>add.sugar, total sugar ≤ 8 g/100 ml</b>	8 HUF/l	0,02 Eur/l	105 HUF/l	0,27 Eur/l
<b>sweetener content only</b>				

energy drinks			flavored beers & alcoholic refreshers (max 5 per cent vol.)		
methyl-xanthine > 15 mg/100 ml	65 Ft/l	0,17 EUR/l	add.sugar, total sugar > 5 g/100 ml	33 HUF/l	0,09 EUR/l
			add.sugar & sweeteners		
methyl-xantine & other stimulants*	390 Ft/l	1,03 EUR/l	add.sugar, total sugar ≤ 5 g/100 ml	10 HUF/l	0,03 EUR/l
			sweetener content only		

## 8 Ireland

### Ireland – Sugar Sweetened Drinks Tax presentation in text format

#### Background

I will start with some background as to what the tax is about and why it was introduced.

Sugar consumption and in particular sugar sweetened drinks consumption is regarded internationally as a key contributor to health and dental deterioration, especially among young people.

The World Health Organisation has urged action to curtail sugar consumption and has pointed to fiscal policies such as taxation of certain foods and drinks as proving effective in positively influencing healthy diet choices.

The rationale for a tax on sugar sweetened drinks in Ireland was put forward by Department of Health.

The Department proposed the tax as one of a number of actions intended to reduce ever increasing rates of childhood and adult obesity in Ireland.

In October 2016, the Minister for Finance announced his intention to introduce a volumetric tax on sugar sweetened water and juice-based drinks to support the health policy objective of reducing the consumption of these drinks.

At this stage the United Kingdom had already announced that it would introduce a Soft Drinks Industry Levy in April 2018. The Minister indicated that, given the soft drink industry's highly integrated production and supply chains between Ireland and the United Kingdom, Ireland's Sugar Sweetened Drinks Tax would need to be aligned with the UK's Soft Drinks Industry Levy in terms of both timeframe and structure.

## Challenges

Revenue was tasked with translating the policy proposals, set out by the Department of Health, into a workable tax design. This was challenging as there was a tight timeframe for implementation.

A key consideration in designing the tax was the fact that sugar sweetened drinks are not subject to intra-European Union excise movement controls. These controls cover the movement of both duty-suspended and duty-paid excisable goods within the European Union such as alcohol and fuels.

*EMCS is a computerised system to facilitate the movement of both duty-suspended and duty-paid excisable goods within the European Union (EU).*

Additionally, in applying a national tax on Sugar Sweetened Drinks, Ireland could not impose any barriers to the free movement of goods within the European Union.

Other areas to be considered were how to ensure that products falling within scope of the tax could be clearly and objectively identified as Sugar Sweetened Drinks. This was important as Sugar Sweetened Drinks are not defined by any one industry or regulatory framework.

When liability would arise and who would be liable were also important considerations. As with any tax the design it needed to

- minimise administrative burden,
- encourage voluntary compliance and
- facilitate Revenue in identifying and tackling non-compliance.

Another complication was that the tax had to be formally notified to the European Commission for approval on State aid grounds as the policy proposal at that stage specifically excluded milk and milk-based products.

## The Basics

As part of this process, Ireland made a commitment to the Commission to bring certain categories of drinks, that were currently excluded from taxation, within the scope of SSdT. In April 2018, the European Commission confirmed that, given the commitments made by the Irish authorities, the SSdT measures did not constitute a State aid under EU rules. This paved the way for the tax to commence on 1 May 2018.

Products falling within scope of the tax are defined in the national Sugar Sweetened Drinks Tax legislation by reference to two existing frameworks.

Firstly, the Combined Nomenclature or CN categories are referenced.

*Combined nomenclature 2023*

*Each product has a particular eight-digit classification code in the 2023 combined nomenclature. This also sets out the general rules for classifying goods to an eight-digit level. These codes apply from 1 January 2023. The combined nomenclature is updated annually.*

This approach provided for a systematic identification process within an already existing European Union framework that was understood and used by the soft drinks industry both in the State and internationally.

The second framework that was used to identify products within scope of the tax is the European Union food labelling regime as set out in regulations on Food Information for Consumers.

This European Union regulation (FIC Regulation) require the provision of food information on products to consumers including an obligation to provide nutrition information.

[https://food.ec.europa.eu/safety/labelling-and-nutrition/food-information-consumers-legislation\\_en](https://food.ec.europa.eu/safety/labelling-and-nutrition/food-information-consumers-legislation_en)

These feed into the labels that you see on products which provide the ingredients, the amount of fats, carbohydrates, the amount of sugar in the product, etc.

The tax operates on a self-assessment basis and liability arises when a supplier makes a first supply of taxable products in the State.

In order to ensure that domestically sourced goods were not disadvantaged, the legislation provides for a relief for supplies made outside the State.

### **What does it apply to?**

So, what types of drinks does this tax apply to. Without knowing anything about CN codes or food science you can fairly easily work out if a particular product falls within scope of the tax.

Firstly, if it's water or juice based it's potentially taxable, so you need to look at whether or not it contains added sugar. This can be determined by looking at the ingredients list on the product label. If sugar is listed then you need to move on to the third step which is to look at the total sugar content.

Again, this will be indicated on the product label as it is obligatory information under the European Union food labelling regime. If the total sugar content is 5g or more per 100 ml the product is liable to Sugar Sweetened Drinks Tax.

There are two rates which are applied on a volumetric basis:

\* Lower rate of €16.26 per hectolitre applies where the sugar content is 5 grams or more but less than 8grams per 100 millilitre.

\* Higher rate of €24.39 per hectolitre begins at 8grams per 100 millilitre and above.

The lower rate roughly works out as about 10 cent per 330 millilitre drink.

Concentrated Sugar Sweetened Drinks products are also liable and the basis of assessment of these is determined on the product when it is prepared in accordance with manufacturer's instruction.

Concentrated Sugar Sweetened Drinks are solid or liquid substances that require preparation to produce ready to consume drinks. Preparation involves the addition of water and/or ice and/or carbon dioxide to the concentrated substance, in accordance with manufacturer's instruction.

These rates are dependent on the total sugar content of the 'ready to consume' form of the sugar sweetened drink.

Initially certain drinks such as milk substitutes like soya milk were specifically excluded, as were drinks that contain milk fats. However, in order to address the European Union Commissions State Aid rules, the legislation was amended and since January 2019, the Sugar Sweetened Drinks Tax also applies to these drinks if they do not have a calcium level of at least 119 milligrams per 100 millilitres.

**There is further detail on the Revenue website including a Sugar Sweetened Drinks Tax Manual.**

## 9 Italy

### FPG/044 - Exchange of Information and Best Practices on Taxes on Non-Alcoholic Beverages

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#### THE SUGAR TAX IN ITALY: A COMPREHENSIVE ANALYSIS

##### 0. Introduction

The introduction of the sugar tax in Italy was legislated through the 2020 Italian Budget Law<sup>1</sup>. This tax was further modified by subsequent 2021, 2022, and 2023 Budget Laws to adjust its implementation and address industry concerns. According to the 2024 Italian Budget Law<sup>2</sup>, the tax is set to officially come into force on July 1, 2024<sup>3</sup>.

The imposition of the sugar tax is part of a broader public health initiative to combat some health issues associated with high sugar consumption. The World Health Organization (WHO) recommends a daily sugar intake of no more than 25 grams, equivalent to about five teaspoons, to maintain a healthy diet. Excessive sugar consumption is linked to various health issues, including obesity, diabetes, and heart diseases. The prevalence of these conditions in Italy underscores the need for legislative measures to curb sugar intake.

Italy joins a growing list of countries that have implemented sugar taxes to reduce sugar consumption and promote public health. As of 2020, almost 40 countries had adopted similar measures, with varying degrees of success. Notable examples include:

- United Kingdom, where the Soft Drinks Industry Levy, introduced in 2018, resulted in a significant reduction in the sugar content of some beverages<sup>4</sup>;
- Mexico, where the *Impuesto a las bebidas endulcoradas*<sup>5</sup>, introduced in 2014, effectively raised awareness about the high sugar content in beverages, contributing to a reduction in consumption.

These examples provide a framework for understanding the potential impact of Italy's sugar tax on public health and consumption patterns.

In Italy the sugar tax is limited to sweetened beverages. It is classified as a consumption tax rather than an excise duty, which nevertheless implies specific registration and reporting<sup>6</sup> requirements for taxpayers. Its implementing rule is the Decree of the Minister of Economy and Finance of 12 May 2021. Its compliance is to be monitored by the Italian Customs and Monopolies Agency through audits and inspections.

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<sup>1</sup> Law no. 160 of 27 December 2019.

<sup>2</sup> Law no. 213 of 30 December 2023.

<sup>3</sup> Forsooth during the very recent conversion of Decree-Law no. 39/2024 a further extension of Italy's sugar tax was envisaged: it would come into force on the 1<sup>st</sup> of July 2025.

<sup>4</sup> Such as the halving of sugar content in Fanta.

<sup>5</sup> Sweetened beverages tax.

<sup>6</sup> Monthly declarations on the quantities produced, sold or purchased.

##### 1. Definitions

Sweetened beverages include both ready-to-drink products and those goods prepared to be used after dilution, which are packaged for sale, intended for human consumption, obtained with the addition of sweeteners (i.e. natural or synthetic substances capable of imparting a sweet flavor), and having an alcoholic strength lower than or equal to 1.2% by volume. They all fall under the Combined Nomenclature Codes 2009 and 2202.

For the purposes of calculating the tax on a sweetened beverage, it is essential to consider its total content of sweeteners, that is its equivalent sucrose content determined with reference to the sweetening power of each of its constituents. It is calculated through a comparison table of the sweetening power of sweeteners, and it is expressed in grams (of equivalent sucrose) per liter (of beverage), in case of finished goods, or per kilogram (of product), in case of goods designed to be used after dilution.

## 2. Tax calculation and exemption cases

The tax rate is fixed at 10 eurocents per liter, in case of finished products with a total content of sweeteners exceeding 25 grams per liter, or 25 eurocents per kilogram, in case of products designed to be used after dilution with a total content of sweeteners exceeding 125 grams per kilogram.

Beverages with total content of sweeteners below these thresholds are exempt from the tax, as are those that are directly sold outside the territory of the State by their producers.

## 3. Taxpayers and supply chain implications

The taxpayers include:

- importers: who import sweetened beverages into Italy from a non-EU country;
- manufacturers: operators of production or packaging plants where sweetened beverages are made;
- sellers: entities selling sweetened beverages produced on their behalf to national retailers or consumers;
- buyers: entities purchasing sweetened beverages from other EU countries as part of their economic activity.

The implementation of the sugar tax affects various points in the supply chain, from the product manufacture or entry into the territory of the State to the final consumer. Specific rules are to govern the release for consumption of sweetened beverages, by ensuring tax compliance and providing mechanisms for tax refunds where applicable.

## 4. Conclusion

- **Objective of the tax**  
The primary objective of the sugar tax is to modify consumer and producer behaviors to improve public health. By increasing the cost of high-sugar beverages, the tax aims to reduce their consumption, thereby lowering the incidence of obesity, diabetes, and other related health issues.
- **Tax base**  
The tax applies to finished goods and products prepared for dilution that meet specific criteria:
  - classified under CN codes 2009 or 2202;
  - packaged for sale and intended for human consumption;
  - containing added sweeteners;
  - having an alcoholic strength of 1.2% or lower.
- **Tax scope**  
The tax calculation is based on the total content of sweeteners. If a beverage undergoes a sweetening process, the total quantity of equivalent sucrose determines the tax liability as a measure of all its constituents, whether added or already present in the product before sweetening. The threshold for taxation aligns with WHO's recommended daily sugar intake, ensuring that only beverages with high sugar content are taxed.
- **Tax rates**

Italy's sugar tax features a single-rate structure with no tax applied to beverages below specified thresholds. This approach simplifies the tax regime while providing a clear incentive for manufacturers to reduce sugar content.

- **Procedures**  
The consumption tax on sweetened beverages necessitates rigorous procedures, including registration and monthly declarations by taxpayers. The Customs and Monopolies Agency is to conduct regular audits to ensure compliance, including inspecting production facilities and sampling products to verify the total content of sweeteners.
- **Evaluation of effectiveness**  
Forecasts and evaluations are being conducted to potentially estimate the effectiveness of Italy's sugar tax. The impact on public health and consumption patterns will be closely monitored once the tax comes into force.
- **State aid and legal considerations**  
With the exception of the refunds provided for in the event of undue tax and the exemption in case of subthreshold sweetener content or direct supply outside the territory of the State by manufacturers, there have been no rulings on potential State aid issues related to the sugar tax. However some complaints were presented on the possible violation of the tax equality principle, as the sugar tax is intended to affect only certain non-alcoholic beverages obtained with the addition of sweeteners and not also those other food products containing the same substances. The Italian Constitutional Court recently declared unfounded the question about this illegitimacy.
- **Problems/issues**  
The implementation of the sugar tax faces challenges related to the registration of taxpayers and the complexities of distance selling. These issues are being addressed through regulatory measures and the establishment of tax representatives for nonresident obligors.

Italy's sugar tax represents a significant step towards improving public health by reducing sugar consumption. Despite the challenges in its implementation, the tax aims to align with global best practices and achieve measurable health benefits. Continuous evaluation and adjustments will be crucial to ensure the tax effectiveness in curbing the adverse health effects of excessive sugar intake.

## 10 Latvia

### Tax on non-alcoholic beverages in Latvia

#### Objective

In Latvia the main objective of applying excise duty on non-alcoholic beverages was fiscal, but the second purpose of taxation is health issue, especially in recent years.

#### Tax base

Includes all non-alcoholic beverages except three exemption groups:

- fruit and vegetable juice and nectar;
- beverages which contain not less than 10 per cent of juice (and the juice cannot be made from concentrate), not more than 10 per cent of added sugar and which do not contain food additives and flavourings;
- water and mineral water, water enriched with minerals and vitamins, and without added sugar, other sweetener, or flavouring.

#### Tax rates

Flat rate 1999.-2021.

Since 01.01.2022.

- with a sugar content of up to 8 grams (excluding) per 100 millilitres - 7,4 euro/100 liters

- with a sugar content from 8 grams (including) per 100 millilitres – **14,00** euro/100 liters

Since 01.03.2024.

- with a sugar content of up to 8 grams (excluding) per 100 millilitres, except energy drinks - **7,4** euro/100 liters
- with a sugar content from 8 grams (including) per 100 millilitres and **energy drinks** – **17,50** euro /100 liters

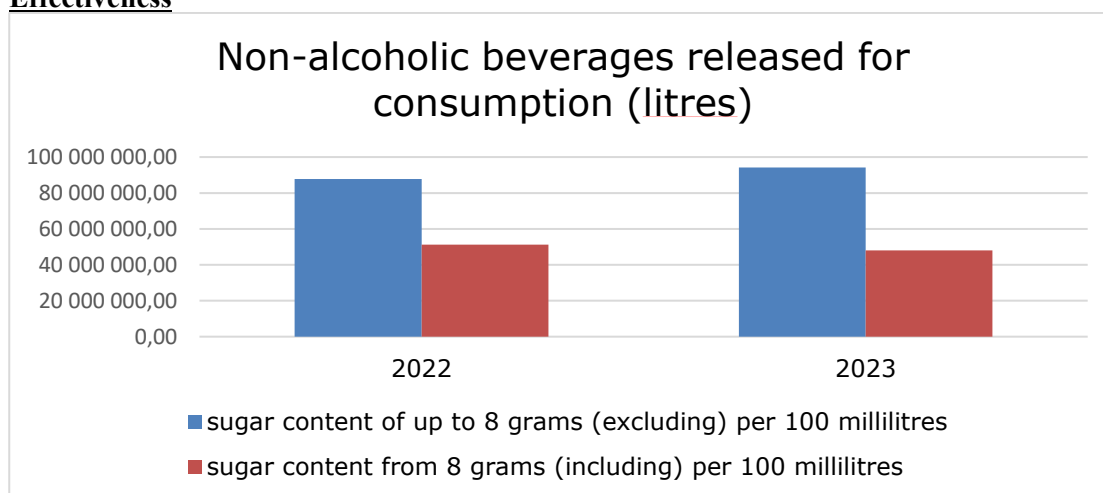
Since 01.01.2025.

- with a sugar content of up to 8 grams (excluding) per 100 millilitres, except energy drinks - **7,4** euro/100 liters
- with a sugar content from 8 grams (including) per 100 millilitres and energy drinks – **21,00** euro /100 liters

### Procedures

For non-alcoholic beverages procedures are similar as for harmonized excise goods but in a lighter version (without EMCS and excise duty guarantee for excise warehouses). Duty suspension regime is for tax warehouses. The production of beverages is allowed only in tax warehouses. To deal with non-alcoholic beverages, produce them or import them into Latvia for wholesales, it is necessary to obtain a licence for tax warehouse.

### Effectiveness



Since a differentiated tax rate has been introduced, we can compare the amounts of beverages released for consumption in 2022 and 2023.

The consumption of beverages with a lower sugar content (up to 8 grams per 100 millilitres) increases, but the consumption of beverages with a high sugar content decrease.

### Possible state aid discussions/rulings

The same excise tax rate is applied to imported and locally produced beverages.

### Problems/issues

- to understand whether a beverage is subject to excise duty or whether it meets one of the exemptions;
- due to limited resources performing physical controls of non-alcoholic beverages is not a priority compared to other excise goods;
- beverages are not marked with excise duty stamps; therefore, it is difficult to make sure whether the excise duty has been paid on the beverages in retail.

## 11 The Netherlands

# memo

### Taxation of non-alcoholic beverages in the Netherlands

#### Introduction

In 1993 the Netherlands introduced a tax on non-alcoholic beverages. After European unification, excise duties could no longer be levied on certain products. In order to keep generating tax revenues, the consumption tax on non-alcoholic beverages replaced the excise duty.

The goal of the national consumption tax on non-alcoholic beverages is to raise revenue (budgetary goal). The annual revenues are included in the table below. Please note that the revenues for 2025 and 2026 are based on latest estimates and are not (f)actual data.

2020	2021	2022	2023	2024	2025	2026
€ 296 million	€ 277 million	€ 261 million	€ 308 million	€ 612 million	€ 623 million	€ 641 million

#### Tax base and rate

Non-alcoholic beverages include the following products:

- Pure fruit and vegetable juices;
- Lemonade (this means fruit or vegetable juices diluted with water as well as sweetened and aromatic drinks and drinks to which aromatic substances or flavourings have been added and which are clearly intended to be drunk unheated.)
- Water with added sugar or other sweeteners, or flavoured products that contain alcohol, to the extent that they are not regarded as beer, wine, intermediate products or other alcoholic products in the meaning of the Excise Duty Act.
  - o Beer up to 0,5% abv
  - o Other alcoholic drinks up to 1,2% abv

Excluded are:

- Tap water, mineral water,
- Dairy drinks with an amount of milk fat more than 0,02% mass percent and soy-based drinks with comparable composition
- Beverages not intended to be drunk unheated, such coffee, tea, soup.

The tax has a flat rate per hectoliter. As of 1 January 2024 the tax rate was raised significantly from € 8,83 to € 26,13 per hectoliter. Goal of this tax rate is to raise revenue. Due to the flat rate all beverages are taxed the same. As such, the amount of sugar is at the moment not relevant for the tax due.

Further, as of 1 January 2024 tap water and mineral water from CN code 2201 is exempt from the tax.

The method of taxation (e.g. taxable events, refund possibilities, etc.) largely correspond to the excise legislation. This takes into account the condition stated in Council Directive 2020/262 that crossing an internal EU frontier may not entail any formalities. As a result, the formalities for the transport of non-alcoholic drinks are arranged differently than the transport of excise goods.

### Evaluations of effectiveness

Discouraging the consumption of sugary drinks remains necessary, given the amounts of sugar still consumed through drinks. The government wants to encourage healthy choices and discourage unhealthy choices. Hence, the parliament urged the (at the moment) caretaking government to implement a differentiated tax based on sugar content. On 26 April 2024 the care taking state secretary of finance and state secretary of health, wellbeing and sport sent a so called outline letter to the parliament in which possible scenario for a sugarsweetened beverages tax are elaborated. Further action is now up to the government and parliament. At this time, a final decision about the conversion to a differentiated tax base has not yet been taken. or a new cabinet/coalition.

### Challenges

- Should milk, dairy drinks and soy based drinks be subject to the tax? If not, how to treat other plant based alternatives such as oat or almond drinks?
- Current exemption for milk and soy based drinks encourages avoidance and leads to a perverse incentive for manufacturers.
- The parliament called for a lower tax rate for pure fruit juices. However, these beverages usually contain lots of sugar.
- Current minimum excise duty on beer to the tax on non-alcoholic beverages. The question is: should this link be remained under a differentiated tax base? If this link is remained (from the perspective of the prevention of alcohol consumption), this will result in a significant higher excise rate for beer.
- Cross border effects.

### National legislation

- Wet op de verbruiksbelasting van alcoholvrije dranken. Dutch act on taxation of non-alcoholic beverages:  
<https://wetten.overheid.nl/BWBR0005802/2024-01-01>.
- Subordinate regulations:
  - o <https://wetten.overheid.nl/BWBR0005804/2023-02-16> o
  - o <https://wetten.overheid.nl/BWBR0005812/2023-01-01>
- Explanation of the legislation from the Dutch Customs Administration in English:  
[https://www.belastingdienst.nl/wps/wcm/connect/bldcontenten/belasting\\_dienst/customs/excise\\_duty\\_and\\_consumer\\_tax/excise\\_duty\\_and\\_consumer\\_tax/excise\\_duty\\_and\\_consumer\\_tax](https://www.belastingdienst.nl/wps/wcm/connect/bldcontenten/belasting_dienst/customs/excise_duty_and_consumer_tax/excise_duty_and_consumer_tax/excise_duty_and_consumer_tax)
- Outline letter for possible scenarios for a sugar-sweetened beverages tax:  
<https://www.rijksoverheid.nl/documenten/kamerstukken/2024/04/26/con-tourenbrief-gedifferentieerde-verbruiksbelasting-van-alcoholvrijedrankenen-op-basis-van-suikergehalte>

## 12 Poland

### A levy on foodstuffs in Poland

#### What kind of beverages are subject to sugar fee?

Poland introduced a levy on foodstuffs in January 2021.

Taxation of sweetened beverages in Poland is based on the total amount of sugar in the beverage, both naturally occurring sugar in fruit juices and synthetic sugar.

The sugar fee, in addition to covering beverages with added sugars or sweeteners, is also imposed on beverages with added caffeine or taurine (regardless of the amount of these substances).

The fee does not apply to beverages that are medical products, dietary supplements, special-purpose food, infant and follow-on formulae, excise goods and products based on milk or milk products (for example, yogurt, buttermilk, kefir, curdled milk). Also exempted from the fee are beverages that contain at least 20% fruit, vegetable or fruit-vegetable juice charge, with a sugar content of less than or equal to 5 g per 100 ml of beverage, and that are carbohydrate-electrolyte solutions with a sugar content of less than or equal to 5 g per 100 ml of beverage.

Also outside the charge are 100% fruit juices and vegetable juices.

#### Who pays the fee?

The obligation to pay the fee is on the entity that:

- sells beverages to retail outlets,
- retails beverages as a producer, an entity purchasing beverages as part of an intra-Community purchase, or importing beverages from outside the EU,
- orders the production of a chargeable beverage from a manufacturer, and the composition of the chargeable beverage is part of the contract - the obligation to pay is on the ordering party.

Entities obliged to pay the fee, monthly electronically submit information on the fee through the information system, in which they calculate the amount of the fee, and then make the payment without a call from the authority.

The obligation to pay the fee applies to entities at the end of the supply chain.

The exception are entities ordering beverages, such as Carrefour or Lidl.

#### Sugar Fee calculation

The sugar fee is the sum of two values: fixed and variable.

**fixed fee (per liter) EUR 0.12** (PLN 0.50) for the content of sugars equal to or less than 5 g in 100 ml

**fixed fee (per liter) EUR 0.02** (PLN 0.10) beverages with added caffeine or taurine

**variable fee EUR 0.01** (PLN 0.05) for each gram of sugars above 5 g in 100 ml of beverage

The maximum charge is EUR 0.28 (PLN 1.2) per liter of beverage

Example: beverage containing 11 grams of sugar is charged a fixed fee of PLN 0.50 and a variable fee of PLN 0.30.

If the drink contains caffeine, a fixed fee of PLN 0.10 applies

The total fee for such a drink is therefore PLN 0.90 which is EUR 0,21 (21 euro cents).

#### The main purpose of sugar levy is pro-health

It is a fiscal policy tool separate from excise taxes.

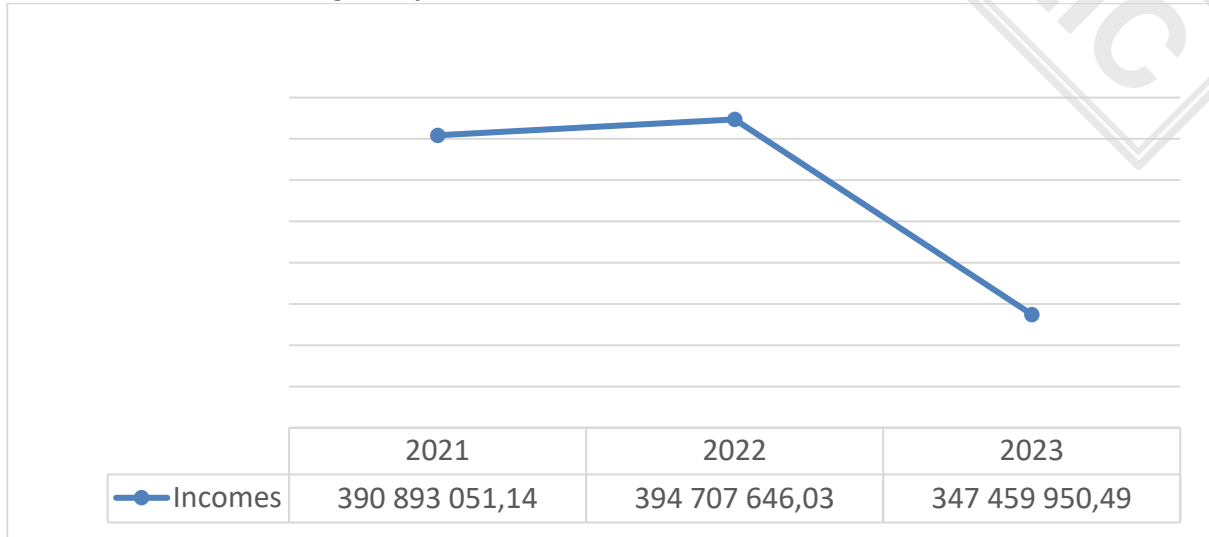
96.5 percent of the revenue from the sugar fee is transferred to the National Health Service, while the remaining 3.5 percent is used for the cost of collecting the fees and administrative support for collecting them.

### Impact of the sugar levy

According to data from the Market Monitoring Center - the levies on sweetened beverages introduced in January 2021 increased the prices of these products (about 0,25 EUR/l), and this in turn translated into a decrease in their sales (20%).

The largest price increases were recorded in the segment of **carbonated beverages, flavored waters**, iced teas, or energizers. The sugar levy forced changes in the product strategies of some producers, taking measures to reduce the amount of the levy paid, and thus attempting to lower market prices.

### Annual total incomes of sugar levy in EUR



In the third year of the fee's operation we recorded a visible decline in revenues.

The main reason for the is beverage **reformulation**.

To avoid paying the fee Manufacturers change the composition of drinks.

This is because drinks containing at least 20% juice and up to 5 grams of sugar are not subject to the fee.

We are observing a significant increase in the number of such drinks on the market.

Which means that the health-promoting goal of introducing the sugar fee is having a noticeable effect.

## 13 Portugal

### Taxation of sweetened drinks Rules and procedures applicable in Portugal

**Objective of the tax:** health, fiscal?

- The main objective of the tax was and still is health related; as an example, the total amount of collected tax is specifically consigned to the Health Ministry Budget, annually.

**Tax base:** what drinks are included in the tax base?

- Mainly drinks with sugar or sweetener added content, we exempt beverages with whole naturally present sugars and other beverages such as soy, almond and other milks, etc.

**Tax scope:** is total sugar content or the amount of added sugar a defining factor?

- Yes, the added sugar or sweetener content is a main feature of the tax design.

**Tax rates:** flat rate or progressive?

- Progressive rates based on the amount of sugar/sweetener added content;
- 4 rates going from < 25gr/lt (€1,16/hlt) to = or > to 80gr/lt (€23,18/hlt).

**Procedures:** harmonised excise procedures or other?

- Production, reception, holding and movement in excise duty suspension is only allowed to Authorised Warehousekeepers, and in/from their respective tax warehouses;
- Reception of products sent by a trader in another MS, is allowed to Authorised Warehousekeepers and Registered Consignees;
- Excise authorisations are duly registered in our national database but are never sent as SEED database updates (only authorisations dealing with harmonised products are sent to SEED database);
- After the production or reception, the goods are subject to a Stocks Update Declaration (DRE), which “creates” them in terms of our Tax Warehouse Stocks Control System (SIC-EX);
- Upon their exit from the TW, the goods can be in one of two conditions:
- In excise duty suspension – in which case they are the object of a DRE declaring their exit, therefore updating the stocks in SIC-EX;
- Released for consumption – in which case they are the object of a declaration of release into consumption (e-DIC), therefore updating the stocks in SIC-EX;

**Possible state aid discussions/rulings?**

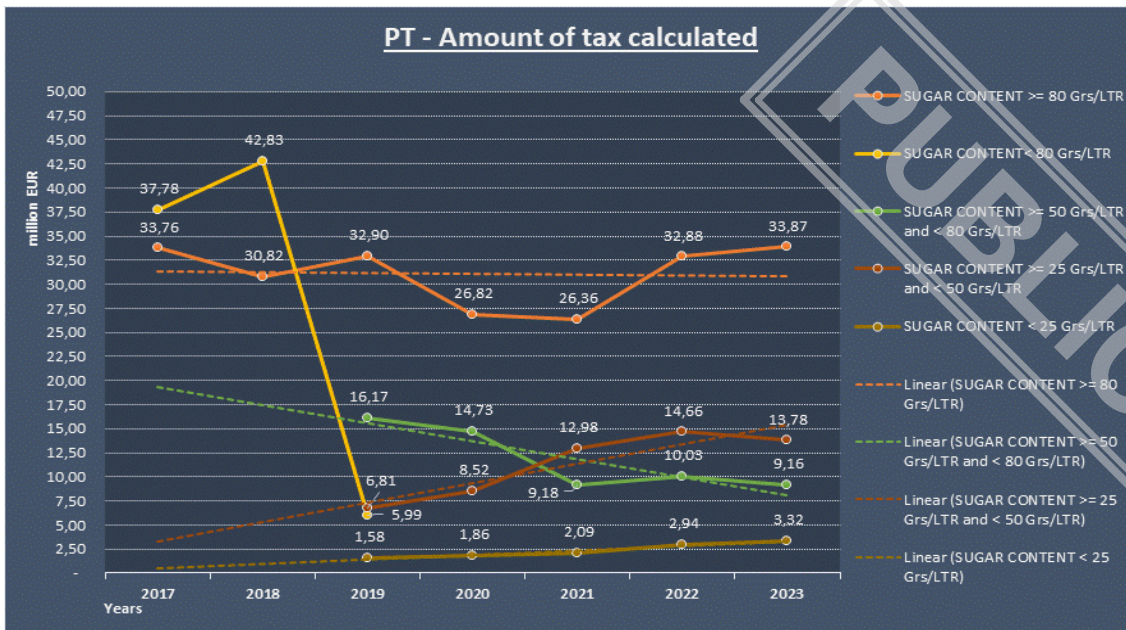
- The initial tax structure was revised in order to create further tax intervals, in order to help small local businesses that produced low sugar content beverages and were paying a prohibitive excise rate, this happened between 2017-18.

**Problems/issues:** E.g.: Concerns about administrative burden or tax evasion? Conflicts between what is ideal and what is possible?

- No known concerns in terms of administrative burden, some concerns regarding cross border tax evasion (small businesses acquiring excise free beverages in Spain), but this is mainly small fraud.

**PT - Evolution of calculated tax amounts**

<i>(in million EUR )</i>	Years						
Tiers	2017	2018	2019	2020	2021	2022	2023
SUGAR CONTENT >= 80 Grs/LTR	33,76	30,82	32,90	26,82	26,36	32,88	33,87
SUGAR CONTENT < 80 Grs/LTR	37,78	42,83	5,99				
SUGAR CONTENT >= 50 Grs/LTR and < 80 Grs/LTR			16,17	14,73	9,18	10,03	9,16
SUGAR CONTENT >= 25 Grs/LTR and < 50 Grs/LTR			6,81	8,52	12,98	14,66	13,78
SUGAR CONTENT < 25 Grs/LTR			1,58	1,86	2,09	2,94	3,32
<b>Total</b>	<b>71,54</b>	<b>73,65</b>	<b>63,45</b>	<b>51,93</b>	<b>50,61</b>	<b>60,51</b>	<b>60,13</b>



## 14 Romania



### Excise duty on non-alcoholic beverages with added sugar

- *Excise duty in force:* from 1<sup>st</sup> of January 2024
- *Objective of the tax:* health objective, as well as fiscal objective
- *Tax base and tax rate:*
  - Non-alcoholic beverages with added sugar for which the total sugar content is between 5g - 8g/100 ml - excise duty rate: 40 RON/hl of product (8,04 Euro/hl of product);
  - Non-alcoholic beverages with added sugar for which the total sugar content is above 8g/100 ml - excise duty rate: 60 RON/hl of product (12,06 Euro/hl of product);



## Excise duty on non-alcoholic beverages with added sugar

- Exception: there are not considered non-alcoholic beverages with added sugar:
  - beverages for which the consumer decides the amount of the sugar that is added in the content of the beverage,
  - products that cannot be consumed as beverages,
  - beverages prepared on the spot, for which the amount of sugar cannot be determined at the time of sale.
- *Procedures*: non-harmonized excise duty regime
- *Evaluation of effectiveness* - no relevant information so far, taking into account that the excise duty regime for these products is implemented from a short period of time
- *State aid issues* - it wasn't identified any state aid issues concerning application of the excise duty
- *Problem/issues* - not identified so far

3

## 15 Slovakia

# NON-ALCOHOLIC BEVEREAGES

## Slovakia

### Act No. 251/2024 Coll. of 11 September 2024 on Tax on Sweetened Non-Alcoholic Beverages (SNB)

- introduced as of 1st January 2025
- part of the consolidation package for financial recovery
- a one-stage indirect tax on the consumption of SNB
- beverages are subject to tax only if they contain added sugar or sweetener
  - goods of CCN 2202 10 00 – *waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured*
  - goods of CCN 2202 91 00 - *non-alcoholic beer*
  - goods of CCN 2202 99 19 - *non-alcoholic beverages, not containing milk, milk products and fats derived therefrom (excl. water, fruit or vegetable juices, beer and beverages based on soya or on nuts of Chapter 8, cereals of Chapter 10 or seeds of Chapter 12)*
  - goods of CCN 2009 – *fruit and vegetable juices* (only if they contain added sugar or sweetener)
  - any other packaged SNB intended for direct consumption (ready for consumption/ ready to drink) containing added sugar or sweetener as well as coffee, tea or their substitutes

- concentrates intended for the preparation of above-mentioned SNB by adding water, ice, carbon dioxide, milk or plant-based milk substitutes (*syrups; fizzy drinks; effervescent tablets; ionic drinks in powder form*)
- all above-mentioned SNB containing more than 150 mg of caffeine (from any source) per litre ('high caffeine content SNB')

#### How to know is it subject of tax?

- mandatory reporting of data on food composition (found on the product label)
- based on EU legislation – regulation of the EP and the Council EU 2011/1169

#### Exemptions

- 'infant formula', 'follow-on formula', 'food for special medical purposes' and 'total diet replacement for weight control' as referred to in Regulation (EU) No 609/2013 of the European Parliament and of the Council
- medicinal products (Act No. 362/2011 Coll.)
- food supplements (Act No. 152/1995 Coll.)

#### TAX RATES

- tax rate for
  - SNB intended for direct consumption &
  - for concentrates in solid form with one precise quantity of the product/drink prepared according to directions for use on label of the product **0,15 €/l of drink**
  - tax rate for above mentioned two groups of SNB if containing more than 150 mg of caffeine per litre **0,30 €/l of drink**
- tax rate for concentrates in liquid form **1,05 €/l of SNB**  
(*presumed dilution ratio 1:7*)
- tax rate for above mentioned group of SNB if containing more than 150 mg of caffeine per litre **2,10 €/l of SNB**
- tax rate for concentrates in solid form without one precise quantity of the product/drink prepared (according to directions for use on label of the product) **4,30 €/kg of SNB**  
(*presumed dilution ratio 1:28,88*)
- tax rate for above mentioned group of SNB if containing more than 150 mg of caffeine per litre **8,60 €/kg of SNB**

#### Administration

- the **tax liability** arise exclusively at the first delivery of the SNB in the Slovak Republic, if the drink will be consumed in the Slovak Republic (further deliveries in the Slovak Republic are not subject to tax)
- tax payer
  - the producer in the Slovak Republic
  - the supplier (the person who introduces the SNB from abroad as the first distributor on the market in the Slovak Republic)
- monthly tax period

- simple tax administration (Tax Office)
- administratively undemanding tax from the point of view of the taxpayer (registration, submission of tax returns and record keeping)

## 16 Slovenia

### Discussions on the taxation of non-alcoholic beverages in Slovenia

#### 1 Introduction

Taxation of unhealthy foods and beverages is one of the possible measures to improve dietary habits in the population. As other developed countries, Slovenia also experiences a significant increase in overweight and obesity.

Excessive consumption of sugar is particularly problematic among children and adolescents. Most of the sugar comes from sugary drinks, sweet bakery products, and confectionery, which causes a rapid increase in blood sugar but only temporarily reduces hunger. Foods and beverages with high sugar content have become the cheapest source of energy, and food prices are recognized as one of the most important criteria for food choice. Additionally, sweetened beverages are among the most advertised food groups, with advertisements primarily targeting children and adolescents, likely leading to higher consumption of sweetened beverages among these groups.

The Ministry of Health in Slovenia has previously proposed the introduction of a special tax on sugar in beverages (and food). Following the example of other EU countries, Slovenia has decided to analyse and prepare a legislative proposal to introduce a tax on non-alcoholic beverages. The legislative proposals were prepared firstly in 2012 and again in 2014. In these past attempts to tax non-alcoholic beverages, there was a support for the introduction of the tax from the health sector and the Ministry of Health, while there was an opposition to the proposal from the food industry and the ministries relevant in this area.

#### 2 Proposal for the Introduction of a Tax on Non-Alcoholic Beverages

The proposal for the introduction of a tax on non-alcoholic beverages would tax sugar in its pure or unprocessed form or contained in final products intended for consumption. The sugar content in the final product could be verified with product label data.

The basic objective of the proposal for a special tax would be to implement an economic instrument to slow down the consumption growth of sugar and thus contribute to a reduced intake of simple sugars in diet, and in the long term, to improve the health status, especially of the younger population, which predominantly consumes such beverages. The tax would generally be passed on to consumers, and the introduction of this tax would increase retail prices of these products considering their sugar content, thus reducing their attractiveness for consumers.

##### 2a Tax Base and Rate Structure

The tax base would include products from CN code 2202 10, which are non-alcoholic beverages containing added sugar or sweeteners, and CN code 2106 preparations for non-alcoholic beverages in the form of syrups, powders, tablets, and other forms.

Mineral water, water without added sugar or sweeteners, fruit and vegetable juices, nectars, milk-based drinks, smoothies, liquid dietary supplements, liquid yogurts, alcoholic beverages, foods for special dietary purposes, non-alcoholic beers, and non-alcoholic beverages with added stevia would be excluded from the tax base.

Tax rates would be set on a progressive scale with 4 tax groups based on health impact or sugar content of a non-alcoholic beverage:

- €0.050 per litter for sugar content above 10 g/l to 50 g/l
- €0.075 per litter for sugar content above 50 g/l to 100 g/l
- €0.100 per litter for sugar content over 100 g/l, for non-alcoholic beverages with sweeteners, for preparations for beverages in the form of syrups containing sugar or sweeteners,
- €0.100 per kg for preparations for beverages in the form of powders, tablets, or other forms containing sugar or sweeteners,
- €0.200 per litter for energy drinks.

### **2b Implementation and Administration**

We opted for simplified excise procedures. Non-alcoholic beverages would be subject to tax when produced, imported from a third country, or from another member state into Slovenia. The obligation to calculate the tax would arise at the moment when non-alcoholic beverages would be first placed on the market in Slovenia (in the case of production) or when received by the consignee in Slovenia (in the case of importation from a third country or another member state).

### **3 Conclusion**

In conclusion, our approach to taxing non-alcoholic beverages would be designed to promote healthier choices by applying progressive tax rates based on sugar content and health impact while ensuring simplified and effective tax administration procedures.

## **17 Spain**

### **Tax on sugar-sweetened beverages**

#### **1. Situation in Spain.**

After a political and technical discussion, the decision was not to implement a new tax on sugarsweetened beverages in Spain. Instead, VAT on soft drinks, juices and sodas with added sugars or sweeteners, was increased from 10 to 21 % as from 1/1/2021.

Both operators and Tax Administration did consider that this solution was better than implementing a new tax on certain products. In our view, in this way, simpler rules and easier management could imply minor disputes.

However, we maintain a distortion that may be considered relevant for this purpose: when the price of the sugar-sweetened beverages is included in a service (bar, restaurant, etc.), a reduced VAT rate of 10% still apply.

#### **2. The Catalan Tax on packaged sugary drinks.**

In Spain, the Regions are able to approve and apply new taxes (feasible as far as a National tax on similar products does not exist) and the possibility of implementing a tax on sugar-sweetened beverages has been under study too. The Regional Parliaments of Catalonia and Valencia in particular discussed this issue, but at the end only in Catalonia the tax is currently in force.

According to Law 5/2017 of the Catalan Parliament, in force May 1st of 2017, the purpose is to tax the consumption of packaged sugary drinks. The tax apply on the acquisition of packaged sugary drinks, free or for consideration, by the Taxpayer, due to the effects that the consumption of these drinks produces on the population.

Sugary drinks are those that contain added caloric sweeteners such as, among others, sugar, honey, fructose, sucrose, corn syrup, maple syrup, agave nectar or syrup and rice syrup. In particular, the following types of sugary drinks are subject:

- a) Soft drinks or sodas: non-alcoholic drinks of different flavours, with or without gas, prepared commercially and sold in bottles or cans, as well as those supplied to the consumer through a supplier.
- b) Fruit nectar drinks and fruit juices.
- c) Sports drinks: drinks designed to help athletes with rehydration, as well as in the replacement of electrolytes, sugar and other nutrients.
- d) Tea and coffee drinks.
- e) Energy drinks: carbonated drinks that contain large amounts of caffeine, sugar and other ingredients, such as vitamins, amino acids and stimulants based on herbs.
- f) Sweetened milks, milk alternative drinks, smoothies and juice milk drinks of fruit.
- g) Vegetable drinks.
- h) Flavoured waters.

The tax does not apply on certain beverages:

- a) Beverages made from natural fruit or vegetable juices, concentrated or reconstituted, or their combination.
- b) Milk or milk alternatives that do not contain added caloric sweeteners.
- c) Drinkable yogurts.
- d) Drinkable fermented milks.
- e) Products for medical use.
- f) Alcoholic beverages.

The taxpayer will be the natural or legal person who supplies the sugary drink packaged to the final consumer. The taxpayer is obliged to pass on the tax to the final consumer of the beverage.

As a substitute for the taxpayer, the distributor resident in Spanish territory who supplies packaged sugary drinks to the establishment that makes them available to the consumer, will be a taxpayer too.

The taxable base of the tax is the amount in litres of packaged sugary drink delivered by the distributor and purchased by the taxpayer.

The rates are:

- a) 0.10 euros per litre for drinks with a sugar content between 5 and 8 grams per 100 millilitres.
- b) 0.15 euros per litre for drinks with a sugar content greater than 8 grams per 100 millilitres.

The tax is accrued at the time of the sale of the sugary drink packaged by the distributor.

When the person supplying the drinks and the establishment that makes them available to the consumer are the same person, the tax accrues when the taxpayer makes the drink available for consumption.

The taxpayer's substitute, or, if applicable, the taxpayer, are required to present the self-assessment of the tax and to make the corresponding payment within the period established by regulation.

The management, collection and inspection of the tax correspond to the Tax Agency of Catalonia.

### **3. An evaluation of sugary beverages' new taxation in Spain.**

Analysing the increase of VAT rate (2021) we may mention an evaluation by ESADE Centre of Economic Policy: "The effects of the VAT increase on consumption of sugary drinks in Spain" <https://www.esade.edu/ecpol/es/publicaciones/los-efectos-del-aumento-del-iva-en-el-consumo-de-las-bebidas-azucaradas-en-espana/>

Following that study, the measure significantly reduced the average consumption of a third of households with a lower economic level. It did this at about 11 litres per household per year.

However, it did not have an appreciable effect on the consumption of households with a medium and high economic level.

The impact of the tax was even greater on lower-income households with children, where the drop in consumption reached 25 litres per household per year.

At the same time, within the third of households with the lowest economic level, the increased VAT caused a decrease of about €5/year per household (that is, 10.5% less) in the expense of snacks, goods that are usually consumed with these drinks.

### **4. Other concerns.**

State aid issues did not appear, nor in the VAT increase neither related to the Catalan tax.

However, both Regional Tax Authorities and operators mentioned clear concerns about administrative burden, tax evasion and distortions due to cross border operations deviation.

### **5. Alternatives and possible actions at EU level**

Spain may support initiatives related to a new excise on "sugar/salt/fat" food based on the need of more healthy products, but new indirect taxes should be harmonised, as far as possible, in order to:

- Avoid distortions, deviations and fraud.
- Maintain well-known proceedings for both operators and Tax Administrations.
- Comply with state aid rules restrictions.

After the introduction in Spain of Plastic Packaging Tax (not harmonised excise), it is clear for us that non-harmonized indirect taxes will provoke problems in international trade and general tax management (operators registration, formal burdens, lack of transport secure proceedings, etc.).

Harmonised indirect taxes (VAT or Excises) actually in force do offer enough and secure procedures from the point of view of free movement of goods, tax surveillance or administrative burden, for both business operators and Tax Administrations

In our view, we should not reject *a priori* the possibility of exploring other solutions, such as approving or requiring the application of higher VAT rates on certain products. We would like the group to be open to the possibility of exploring new solutions. In particular, if the approval of a new harmonized excise appears too difficult, the VAT can offer simpler solutions via a harmonization of rates on certain foods, with different or increased rates. Certainly, new rules on VAT rates are more flexible than in the past.

Therefore, as well as a new harmonized excise, a harmonised VAT rate, increased or general, on

certain “non-healthy” products could be studied, even a VAT rate with an specific rate as well as a percentage (*ad valorem*) on certain products, in particular in countries where reduced rate (or rates) for normal foodstuff does not apply.

## Annex

### Catalan Tax on packaged sugary drinks collection

Year	Income (Mill. €)
2017	22.7
2018	41.9
2019	34.7
2020	29.1
2021	29.9
2022	31.2
2023	29.9

**Annexe 2 Summary table of tax bases in participating EU Member States**

Country	Measure	Tax base	Exceptions	Tax base classification (CN codes/definitions)	Challenges (definitions, state aid rules, etc.):
Belgium	Excise Tax	<ul style="list-style-type: none"> <li>- 2201 water (unflavoured, no added sugar)</li> <li>- 2202 beverages with added sugar or sweetener or other, flavoured water</li> <li>- beer ≤ 0,5% vol alc.</li> <li>- 2204, 2205 2206, 2208 wine, other fermented drinks, beverages ≤ 1,2% vol alc.</li> <li>- 2009 unfermented fruit/vegetable juices, with or without added sugar or sweetening matter</li> <li>- substances for non-alcoholic beverages (liquid and powder form)</li> </ul>	<ul style="list-style-type: none"> <li>- water (unflavoured, no added sugar), (zero tax rate)</li> <li>Exemptions: <ul style="list-style-type: none"> <li>- milk, soy, and rice-based beverages</li> <li>- fruit/vegetable juice for infants</li> <li>- products for research, quality, control, testing</li> <li>- water distributed in case of disaster</li> <li>- coffee intended for industrial use other than roasting or the production of coffee extracts</li> </ul> </li> </ul>	CN codes with additional definitions and definitions	<ul style="list-style-type: none"> <li>- traceability of products</li> <li>- administrative burden for smaller (tax warehousing regulations)</li> <li>- no state aid issues</li> </ul>
Croatia	Special Tax	<ul style="list-style-type: none"> <li>- 2202, 2009 non-alcoholic beverages</li> <li>- 2204, 2205, 2206, 2208 beverages ≤ 1,2% vol alc.</li> <li>- powders and granules</li> <li>- syrups and concentrates</li> </ul>	<ul style="list-style-type: none"> <li>- products considered food for special dietary needs</li> <li>- beverages with 100% fruit/vegetable content without added sugars, other sweetening matter or sweeteners</li> <li>- fruit nectars with deductions, based on fruit content</li> <li>- beverages containing milk, yogurt (0401-0404)</li> </ul>	CN codes with additional definitions and definitions	<ul style="list-style-type: none"> <li>- compliance with EU regulations</li> <li>- potential market distortion</li> </ul>
Hungary	Public Health Product Tax	<ul style="list-style-type: none"> <li>- 2202, 2009 beverages with sugar and/or sweetener and squash and with stimulants</li> <li>- flavoured beers, beverages containing beer and sugar and/or sweetener</li> <li>- squashes with sugar and/or sweetener to produce beverages</li> <li>- 2208 beverages ≤ 5% vol alc. containing sugar and/or sweetener</li> </ul>	<ul style="list-style-type: none"> <li>- products sold abroad</li> <li>- beverages with min 50% fruit, vegetable content</li> <li>- beverages with min 50% milk solids content</li> <li>- spec. squashes <ul style="list-style-type: none"> <li>• extract-based squashes (according to the Hungarian Food Codex)</li> <li>• squashes containing min 50% fruit or vegetable content</li> </ul> </li> </ul>	CN codes with additional definitions	<ul style="list-style-type: none"> <li>- monitoring and enforcement challenges</li> <li>- change of recipe</li> <li>- product specifications</li> </ul>
Ireland	Sugar Sweetened Drinks Tax (SSDT)	<ul style="list-style-type: none"> <li>- 2202, 2009 beverages containing sugar, with total sugar content ≥ 5g/100 ml</li> <li>- concentrates (solid or liquid substances that require preparation to produce ready to consume drinks)</li> </ul>	<ul style="list-style-type: none"> <li>- drinks containing milk fats or calcium levels ≥ 119 mg/100 ml (e.g., milk substitutes) IN 2202</li> <li>- alcohol free beers and wines</li> <li>- products labelled as food supplements</li> <li>- products excluded from EU labelling obligation</li> </ul>	CN codes with additional definitions	<ul style="list-style-type: none"> <li>- effectiveness of the tax in changing consumer behaviour</li> <li>- administrative complexity</li> </ul>
Finland	Excise Duty on Non-Alcoholic Beverages	<ul style="list-style-type: none"> <li>- 2201 water without added sugar/sweetener</li> <li>- 2202 beverages with sugar/ sweetener/flavour</li> <li>- 2009 fruit/vegetable juices not fermented or with added alcohol (≤ 0,5% vol alc.)</li> <li>- 2106 preparations for beverages</li> </ul>	<ul style="list-style-type: none"> <li>- milk and plant-based drinks,</li> <li>- coffee, tea, and some other minor exceptions</li> </ul>	CN codes with additional definitions	<ul style="list-style-type: none"> <li>- balancing health goals with revenue needs</li> <li>- challenges in tax compliance verification</li> </ul>

		<ul style="list-style-type: none"> <li>- 2204, 2205, 2206, 2208 alcoholic beverages ≤ 1,2% vol alc.</li> <li>- beer ≤ 0,5% vol alc.</li> <li>- 3302, 3824</li> </ul>			
France	Three different taxes on sugary drinks, sweetened drinks, and waters and different beverages	<p>Contribution on sugary drinks</p> <ul style="list-style-type: none"> <li>- 2009, 2202 fruit or vegetable juices, waters, non-alcoholic beers, mixtures of beers and non-alcoholic beverages (≤ 0,5% vol alc.) or any other non-alcoholic beverage; <i>contain sugars added</i></li> </ul> <p>Contribution on non-alcoholic beverages</p> <p>waters without added sugar or sweeteners, waters, non-alcoholic beers, mixtures of beers and non-alcoholic beverages (≤ 0,5% vol alc.) or any other non-alcoholic beverage, laboratory waters</p> <p>Contribution on beverages containing sweeteners</p> <p>fruit or vegetable juices, waters, non-alcoholic beers, mixtures of beers and non-alcoholic beverages (≤ 0,5% vol alc.) or any other non-alcoholic beverage; <i>contain artificial sweeteners</i></p> <p>Facultative contribution on mineral waters</p>	<ul style="list-style-type: none"> <li>- milk-based beverages (infant or growth milks, drinking yogurt)</li> <li>- beverages available on medical prescription</li> <li>- soya-based beverages with a minimum of 2.9% of protein derived from soya seed</li> <li>- nutrition products for sick people</li> <li>- beverages made and delivered in vending machines</li> <li>- supplied on ships or planes (duty-free purchase)</li> </ul>	CN codes with additional definitions	<ul style="list-style-type: none"> <li>- determining taxable products</li> <li>- ensuring compliance with EU state aid rules</li> </ul>
Latvia	Excise Duty on Non-Alcoholic Beverages	all non-alcoholic beverages	<ul style="list-style-type: none"> <li>- fruit and vegetable juices and nectars;</li> <li>- beverages with ≥10 % juice (except for fruit juices made of concentrate), and ≤10% added sugar, and which do not contain food additives and flavourings</li> <li>- water and mineral water, water enriched with minerals and vitamins, and without added sugar, other sweetener or flavouring</li> </ul>	definitions	<ul style="list-style-type: none"> <li>- understanding tax applicability</li> <li>- resource limitations for enforcement</li> <li>- regarding state aid no special conditions, tax is applied equally to imported and locally produced beverages</li> </ul>
Netherlands	National Consumption Tax on Non-Alcoholic Beverages	<ul style="list-style-type: none"> <li>- fruit/vegetable juices</li> <li>- lemonade (including syrup, non-alcoholic liqueurs, iced teas, and whey drinks)</li> <li>- non-alcoholic beer, low-alcohol beer (≤ 0,5% vol alc.)</li> <li>- other beverages ≤ 1,2% vol alc.</li> </ul>	<ul style="list-style-type: none"> <li>- tap water, mineral water,</li> <li>- dairy drinks with an amount of milk fat more than 0,02% mass percent and soy-based drinks with a similar composition</li> <li>- beverages not intended to be drunk unheated, such coffee, tea, soup</li> </ul>	definitions	<ul style="list-style-type: none"> <li>- discussion about the appropriateness of a conversion to a differentiated tax based on the sugar amount of the drink</li> <li>- and, if this will be the case: questions about the categories of drinks which</li> </ul>

					<p>will be excluded from this tax (such as fruit- and vegetable juices and plant based alternatives for dairy drinks).</p> <ul style="list-style-type: none"> <li>- beer excise duty compared to non-alcoholic beverages</li> <li>- cross-border sales, B2C distance selling untaxed</li> </ul>
Poland	Sugar Levy on Foodstuffs	<ul style="list-style-type: none"> <li>- beverages with added sugars or sweeteners,</li> <li>- beverages with added caffeine or taurine (regardless of the amount of these substances).</li> </ul>	<ul style="list-style-type: none"> <li>- food supplements, food for special medical purposes,</li> <li>- infant formulas, follow-on formulas,</li> <li>- excise products,</li> <li>- milk-based products (products in which milk or dairy products are mentioned first in the ingredients list)</li> <li>- 100% fruit and vegetable juices,</li> </ul>	definitions	<ul style="list-style-type: none"> <li>- monitoring compliance</li> <li>- potential for small-scale fraud</li> </ul>
Portugal	Sweetened Drinks Tax	<ul style="list-style-type: none"> <li>- 2202 drinks with added sugar or sweetener</li> <li>- 2106 beverage concentrates (syrops and powders)</li> <li>- 2204, 2205, 2206, and 2208, alcoholic beverages (<math>\geq 0,5\%</math> and <math>\leq 1,2\%</math> vol alc.)</li> </ul>	<ul style="list-style-type: none"> <li>- natural juices, beverages with no added sugars (whole naturally present sugars)</li> <li>- other beverages such as soy, almond and other milks, etc.</li> </ul>	CN codes with additional definitions	<ul style="list-style-type: none"> <li>- compliance and monitoring challenges</li> <li>- consumer awareness issues</li> </ul>
Romania	Excise Duty on Non-Alcoholic Beverages	<ul style="list-style-type: none"> <li>- 2202 non-alcoholic beverages with added sugar</li> <li>- 2204, 2205, 2206 and 2208 alcoholic beverages <math>\leq 1,2\%</math> vol alc.</li> </ul>	<ul style="list-style-type: none"> <li>- beverages where the consumer decides the sugar amount</li> <li>- products that cannot be consumed as beverages</li> <li>- beverages prepared on the spot, for which the amount of sugar cannot be determined</li> </ul>	CN codes with additional definitions	<ul style="list-style-type: none"> <li>- verification of sugar content</li> <li>- enforcement of tax compliance</li> </ul>
Slovakia	Sweetened Non-Alcoholic Beverages Tax	<ul style="list-style-type: none"> <li>- 2009, 2202 10 00, 2202 91 00, 2202 99 19 packaged beverages intended for direct consumption that contain added sugar or sweeteners [sweetened flavoured waters; non-alcoholic beer, non-alcoholic wine; fruit and vegetable nectars; energy drinks, fruit and vegetable juices (only if added sugar or sweetener)]</li> <li>- any other packaged non-alcoholic beverage intended for direct consumption that contain added sugar or sweetener as well as coffee, tea or their substitutes</li> <li>- packaged concentrates with added sugar or sweeteners intended for the preparation of above-mentioned beverages by adding water, ice, carbon dioxide, milk or plant-based milk substitutes</li> <li>- high caffeine content beverages (<math>\geq 150</math> mg caffeine/litre)</li> </ul>	<ul style="list-style-type: none"> <li>- infant formulas, follow-on formulas, medicinal products, food supplements, beverages intended for special medical purposes, beverages intended as total diet replacement for weight control</li> </ul>	CN codes with additional definitions and definitions	<ul style="list-style-type: none"> <li>- understanding the scope of taxation</li> <li>- monitoring compliance</li> </ul>

Italy	Consumption tax on sweetened beverages (from July 1, 2025, unless further postponement)	Sweetened beverages, i.e. CN 2009 and 2202 products ready to drink or intended to be consumed after dilution: - packaged for sale; - intended for human consumption; - obtained with the addition of sweeteners (i.e. natural or artificial substances capable of imparting a sweet flavor); - having an alcoholic strength $\leq 1.2\%$ by volume .	Sweetened beverages with a total content of sweeteners* lower than: - 25 grams of equivalent sucrose per liter of beverage, for ready-to-drink products; - 125 grams of equivalent sucrose per kilogram of product, for goods intended to be consumed after dilution.  *The total content of sweeteners refers to the overall amount of all sweetening agents – both natural (e.g. sucrose, glucose, fructose) and artificial (e.g. aspartame), whether added or already present in the pre-sweetened beverage – determined by using a reference table that compares the sweetening power of each substance to that of sucrose.	CN code as reference with additional definitions	- Implementing measure issued - Tax equality violation complaints dismissed
Denmark	Soft Drink Tax (abolished in 2014)	Soft drinks and similar beverages as well syrups/concentrates to produce fountain drinks	- beverages with naturally occurring sugars	N/A	- potential loss of revenue from cross-border shopping - health impacts not directly addressed
Spain (Catalonia)	Regional Tax on Sugary Beverages	Beverages containing caloric sweeteners like sugar, honey, syrups, including soft drinks, fruit nectars and juices, sports beverages, vegetable, tea and coffee beverages, flavoured waters, and sweetened milks	- beverages made from natural fruit/vegetable juices, milk, or milk alternatives without added sweeteners - beverages for medical use - alcoholic beverages	N/A	- administrative burden of managing different rates - concerns about market distortion
Sweden	No tax on non-alcoholic beverages				
Slovenia	Proposals for a special tax were examined in 2012 and 2014; recently, the idea has been revisited to address public health concerns related to sugar consumption				
Czech Republic	No tax applicable, at the very beginning of political and expert discussions.				