

Proposed Excise Tax on Sugar-Sweetened Beverages in the Philippines*

I. INTRODUCTION

An excise tax on sugar sweetened beverages (SSBs) is being proposed to reduce consumption of drinks with added sugar that cause adverse health effects. Taxing SSB is a health measure aimed at influencing consumers to improve their beverage consumption patterns in order to achieve better health outcomes. The proposed excise tax will make SSBs more expensive, thus reducing consumption and encouraging the consumers to shift their purchases to healthier options. The SSB tax may also be a good source of additional revenue for the government which will compensate for the expected revenue loss from the proposed restructuring of the personal income tax (PIT) under Package 1 of the Tax Reform for Acceleration and Inclusion (TRAIN).

This paper discusses the potential impact of the proposed excise tax on consumption levels and its health benefits. The study also presents the taxes levied on SSBs in other countries.

II. BACKGROUND INFORMATION

SSB consumption has been positively linked with growing rates of obesity in many parts of the world. These beverages contain added sugar such as sucrose or fructose in large amounts, which contribute to the overall energy density of diets. It is said that SSBs have little nutritional value and do not provide the same nutrients that can be found in healthy food and drinks. Thus, regular consumption of SSBs results in increased total energy intake which can lead to unhealthy weight gain.

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SSBs refer to non-alcoholic beverages of any constitution (liquid, powder, or concentrates) that are pre-packed and sealed in accordance with the Food and Drug Administration (FDA) Standard, that contain sugar added by the manufacturers.¹

Soft drinks, in particular, are drinks that typically contain carbonated water, a sweetener, and natural or artificial flavoring. The sweetener may be sugar, high-fructose corn syrup, fruit juice, sugar substitutes, or some combination of these. Soft drinks may also contain caffeine, colorings, preservatives, and other ingredients.²

A. *On Consumption*

Based on the study published in the Philippine Journal of Science, entitled, “Beverage Consumption of Filipino Children and Adolescents (7th National Nutrition Survey): Nutritional Concerns and Potential Policy Implications,”³ the percentage consumption of soft drinks by consumers, by age group in 2008 were as follows:

Table 1. PERCENTAGE CONSUMPTION OF SOFT DRINKS BY AGE-GROUP AND GENDER IN THE PHILIPPINES, CY 2008

Gender	Pre-School Children	School-Aged Children	Adolescent
Male	14.07%	16.20%	24.66%
Female	13.46%	16.73%	26.67%

Findings from the study confirmed that among sweetened beverages, soft drinks (cola) are seemingly popular. This particular observation was validated by findings from other studies. Adair and Popkin (2005) identified soft drinks as a common energy source for snacks among Filipino children. Soft drinks were listed as among the affordable and most commonly consumed food item by Filipino children (6-12 years old) and consequential source of dietary sugar (Yabao et al. 2005).

The Philippine Statistics Authority (PSA) 2015 Family Income and Expenditure Survey (FIES) shows that 1.3% of total annual family expenditure was spent on non-alcoholic beverages, i.e., mineral water, soft drinks, fruits and vegetable juices. Families in the middle income class spent the highest (1.4%), the high income group the second highest (1.2%) while the lowest income group spent the least (0.9%). (Table 2)

¹ As defined under Section 150(A)(C)(1) of House Bill (HB) No. 5636.

² Health Risks of Soft drinks, A Review, Asian Journal of Science and Technology Vol. 07, Issue, 06, pp.3059-3064, June, 2016, available at <http://www.journalajst.com/sites/default/files/3098.pdf>, (viewed 01 June 2017).

³ Available at http://philjournalsci.dost.gov.ph/vol144no1/pdf/beverage_e%20consumption%20of%20filipino%20childrend%20and%20adolescents.pdf, (viewed 01 June 2017).

**Table 2. ANNUAL FAMILY EXPENDITURE ON NON-ALCOHOLIC BEVERAGES
CY 2015**

Income Bracket	Annual Expenditure
Under 40,000	0.90%
40,000 - 59,000	1.00%
60,000 - 99,999	1.10%
100,000 – 249,999	1.40%
250,000 and over	1.20%
All Income Classes	1.30%

Source: 2015 FIES (PSA)

Meanwhile, of the total expenditure on soft drinks in 2015, families belonging to the first decile spent 2.85% while the tenth decile, almost 20%. This means that for every PhP1.00 spent on soft drinks by the first decile, around PhP7.00 was spent by the tenth decile in 2015. (Table 3)

**Table 3. ANNUAL FAMILY EXPENDITURE ON SOFT DRINKS BY DECILE
CY 2015**

Income Decile	Percent Expenditure on Soft drinks
Total	100.00%
First	2.85%
Second	4.84%
Third	6.41%
Fourth	7.30%
Fifth	8.77%
Sixth	10.00%
Seventh	11.58%
Eight	13.15%
Ninth	15.55%
Tenth	19.55%

Source: 2015 FIES (PSA)

B. On Health Benefits and Effects of Taxing SSBs

One of the major contributing factors to weight gain and related health problems is excess sugar consumption from SSBs. As a health measure, the imposition of excise taxes on unhealthy food and drinks aims to reduce its consumption and improve health outcomes. As more soda is consumed (regular or diet), the more hazardous the habit can become. Several studies have linked soft drinks consumption to the development of such diseases as Type 2 diabetes⁴, pancreatic cancer, high blood pressure (hypertension), stroke, gout,⁵ and heart disease.⁶ In the Philippines, morbidity trends show that hypertension, heart diseases and diabetes are the leading causes of deaths.

It is also noted that the Department of Health (DOH) identified the consumption of soft drinks and carbonated drinks as one of the behavioral risk factors contributing to the development of non-communicable diseases (NCDs) like diabetes and hypertension.⁷ It also cited international studies that link the consumption of popular beverages to obesity.

C. Present Tax Treatment of SSBs

At present, SSBs are not subject to excise tax but only to the VAT based on gross selling price. In the case of imported SSBs, the VAT base is the value used by the Bureau of Customs (BOC) in determining tariff and customs duties and other charges.

Under the present tax system, the excise tax, if any, forms part of the tax base when computing for the VAT. Therefore, the proposed excise tax will also mean an increase in the tax base for the VAT.

The VAT being an indirect tax, is generally passed on to the consumers. The proposed excise tax if pushed through would also likely be shifted and become part of the price of SSBs.

⁴ Sam Wong, "Sugary soft drinks linked to type 2 diabetes risk", Imperial College London, http://www3.imperial.ac.uk/newsandeventspggrp/imperialcollege/newssummary/news_24-4-2013-16-31-35, (viewed 01 June 2017).

⁵ Tyrone M. Reyes, M.D., "Hard facts about soft drinks", available at <http://www.philstar.com/health-and-family/2013/08/06/1055151/hard-facts-about-soft-drinks>, (viewed 01 June 2017).

⁶ Harvard School of Public Health, "Soft Drinks and Disease", available at <http://www.hsph.harvard.edu/nutritionsource/healthy-drinks/soft-drinks-and-disease/#ref48>, (viewed 01 June 2017).

⁷ DOH Position Paper submitted to the House of Representatives on HB 3365. (Entitled, "An Act Imposing an Excise Tax on Sugar Sweetened Beverages by Inserting a New Section 150-A in the National Internal Revenue Code of 1997, as Amended", Introduced by Representative Estrellita "Ging" B. Suansing, Sixteenth Congress, Second Regular Session.

III. COMMENTS AND OBSERVATIONS

On the Proposed Excise Tax on SSBs

HB 5636⁸ otherwise known as the TRAIN was recently approved on 3rd Reading by the House of Representatives. Among others, it seeks to impose a PhP10.00 excise tax per liter of volume capacity on SSBs containing purely locally produced sugar and PhP20.00 for other beverages that will take effect beginning January 1, 2018.

These beverages include: (a) sweetened juice drinks; (b) sweetened tea and coffee; and (c) other beverages such as all carbonated beverages with added sugar, including those with caloric and non-caloric sweeteners; flavored water; energy drinks; sports drinks; powdered drinks not classified as milk, juice, tea and coffee; cereal and grain beverages; and other non-alcoholic beverages that contain added sugar.

On the other hand, excluded are: (a) plain milk and milk drink products without added sugar; (b) all milk products; (c) one hundred percent (100%) fruit juices; (d) one hundred percent (100%) natural vegetable juices; (e) meal replacement and medically indicated beverages; (f) ground coffee; and (g) unsweetened tea.

The rate of the tax shall be indexed to inflation once every three years after considering the effect of the three-year cumulative Consumer Price Index (CPI) via rules and regulations to be issued by the Secretary of Finance.

The proposed excise tax is two-tiered (i.e., PhP10.00 per liter of volume capacity on SSBs containing purely locally produced sugar and PhP20.00 for other beverages (assumed imported sugar). It is noted that this may be violative of Article III of the General Agreement on Tariffs and Trade (GATT 1947, now GATT 1994). As part of the Philippine commitment to the GATT-WTO (World Trade Organization), it is required that there should be no distinction between imported and locally-produced products for purposes of internal revenue taxes.

In this regard, the adoption of a single specific tax rate of PhP10.00 applicable to all SSB products regardless of the raw materials used is preferable. A single rate will promote neutrality between domestic and imported products. It will therefore be compliant to the WTO principle of trade without discrimination.

From tax administration perspective, a single tax rate of PhP10.00 on SSBs per liter regardless of the sugar used would be simpler to administer.

⁸ Entitled, "An Act Amending Sections 5, 6, 22, 24, 25, 31, 32, 33, 34, 79, 84, 86, 99, 106, 107, 108, 109, 116, 148, 149, 155, 171, 232, 237, 254, 264, and 288; Creating New Sections 148-A, 150-A, 237-A, 264-A, 264-B and 265-A; and Repealing Sections 35 and 62, All Under the National Internal Revenue Code of 1997, as Amended", introduced by various Representatives of Congress, Seventeenth Congress, First Regular Session.

It is important to note that whenever a specific tax is introduced, the rate must be indexed to inflation to ensure that it remains constant in real terms over time.⁹ Such indexation will not only yield additional revenues in the near term but will also prevent the erosion of real excise tax revenues over the long term.

Prior to the inclusion of the proposed excise tax on SSBs under the approved House of Representatives' version of Package 1 of the TRAIN, there were separate bills filed on SSBs. One such bill was HB 292¹⁰ filed in 2016 which seeks to impose a PhP10.00 excise tax per liter of volume capacity, with a provision for indexation to four percent (4%) every year thereafter. The revenue to be collected from the tax will be allocated to various agencies in support of health-related programs. HB 3365,¹¹ on the other hand, filed in 2015, proposed to levy a 10% ad valorem tax on soft drinks¹² and carbonated drinks¹³ sold in bottle and other tight containers. The amount to be collected from the proposed tax will be designated as Rehabilitation Fund for the victims of calamities to be allotted for livelihood development, mass housing, road construction, and other infrastructure projects in the municipalities, cities, and provinces affected by severe and destructive calamities. Similar to HB 5636, the two bills aim to regulate the consumption of soft drinks due to their health risks to the consumers.

The proposed excise tax on SSBs under HB 5636 is likened to the SSB tax currently implemented in Mexico.¹⁴ In 2014, a tax on SSBs was introduced in Mexico as part of a strategy to decrease obesity and major risk factors for non-communicable diseases (NCDs). An excise tax of 1 Mexican peso per liter (approximately a 10% price

⁹ ASEAN Excise Tax Reform: A Resource Manual p. 90, available at <http://iticnet.org/images/ASEANExciseTaxReformManual.pdf>, (viewed 01 June 2017).

¹⁰ An Act Imposing an Excise Tax on Sugar Sweetened Beverages by Inserting a New Section 150-A in the National Internal Revenue Code of 1997, as Amended", introduced by Representatives Horacio P. Suansing and Estrellita "Ging" B. Suansing, Seventeenth Congress, First Regular Session.

¹¹ Entitled, "An Act Imposing an Excise Tax on Sugar Sweetened Beverages by Inserting a New Section 150-A in the National Internal Revenue Code of 1997, as Amended", introduced by Representative Estrellita "Ging" B. Suansing, Sixteenth Congress, Second Regular Session.

¹² Defined as carbonated drinks such as Coke, Pepsi, RC Cola, and the like, and artificially or naturally flavored drinks of less than ten percent (10%) natural fruit or vegetable juice such as Mountain Dew, Royal, Sprite and 7-Up and are sold in bottles and other tight containers. [Sec. 2(A), HB 3365]

¹³ Defined as aerated potable water, whether or not containing added sugar or other sweetener or flavor, and other non-alcoholic beverages which are charged under pressure with carbon dioxide gas and are sold in bottles and other air tight containers; provided, that carbonated drink shall include, but not limited to, those are popularly known as softdrinks, carbonated bottled water, energy sport or isotonic and nutraceutical drinks. [Sec. 2(B), HB 3365]

¹⁴ Mexico is the world's leading consumer of soft drinks at 163 liters per capita per year. A study conducted by the United Nations Food and Agriculture Organization (FAO) in July 2013 revealed that Mexico has the highest adult obesity rate among the member countries of the Organization for Economic Cooperation and Development (OECD). Retrieved at "Taxes on Sugar-sweetened Beverages as a Public Health Strategy: The Experience of Mexico", http://iris.paho.org/xmlui/bitstream/handle/123456789/18391/9789275118719_eng.pdf?sequence=1&isAllowed=y (Viewed 06 June 2017)

increase based on 2013 prices in Mexico) is levied on non-alcoholic beverages with added sugar.¹⁵ It is observed that the purchases of sugary drinks in Mexico dropped by 5.5% in the first year after the tax was introduced and was followed by a 9.7% decline in the second year. In the short term, the results for Mexico show that the tax on SSBs is generally passed on through increased prices to consumers, which reduced the purchase of the said beverages.¹⁶

On the Specific Tax on SSBs as an Effective Tax Policy Measure

According to a study¹⁷, a tax of 1 centavo per ounce of beverage would increase the cost of a 20-oz soft drink by 15% to 20%. The effect on consumption can be estimated through a price elasticity study (i.e., consumption shifts produced by the price). The price elasticity for all soft drinks is in the range of -0.8 to -1.0 . (Elasticity of -0.8 suggests that for every 10% increase in price, there would be a decrease in consumption of 8%, whereas elasticity of -1.0 suggests that for every 10% increase in price, there would be a decrease in consumption of 10%.)¹⁸

Applying the proposed PhP10.00 excise tax to a 237ml (8oz) soft drinks A and B with the same retail price of PhP8.00 would result to a new sales retail price (SRP) of PhP10.65 for both soft drinks or an increase of 33.18%. On the other hand, 1.5-liter bottle of soft drinks A with SRP of PhP47.00 and soft drinks B with SRP of PhP37.50 would result in new SRPs of PhP63.80 and PhP54.30, or an increase in SRP of 36% and 45%, respectively. For a 2-liter bottle of both soft drinks, from PhP53.00 and PhP46.00 SRPs, the new SRPs would be PhP75.40 and PhP68.40, or an increase in price by 42% and 49%, respectively. (Table 4)

Excise Tax on Soft drinks and Other SSBs in Other Countries

It is noted that there are three member-countries in the ASEAN, which are currently imposing an excise tax on soft drinks and other types of non-alcoholic beverages, i.e., Thailand, Cambodia, Lao PDR. Thailand, which is the world's ninth largest sugar consumer, has approved a proposal to increase taxes from 20% to 25% for non-alcoholic drinks with high sugar content.¹⁹ (Table 5)

¹⁵ <http://journals.plos.org/plosone/article?id=10.1371/journal.pone.0144408>, viewed June 6, 2017.

¹⁶ <https://www.theguardian.com/society/2017/feb/22/mexico-sugar-tax-lower-consumption-second-year-running>, viewed June 6, 2017.

¹⁷ Kelly D. Brownell, Ph.D., Thomas Farley, M.D., M.P.H., Walter C. Willett, M.D., Dr.P.H., Barry M. Popkin, Ph.D., Frank J. Chaloupka, Ph.D., Joseph W. Thompson, M.D., M.P.H., and David S. Ludwig, M.D., Ph.D. *N Engl J Med* 2009; 361:1599-1605 October 15, 2009

¹⁸ Ibid.

¹⁹ <http://www.bangkokpost.com/news/asia/1038269/the-cost-of-malnutrition>, (viewed 01 June 2017).

Table 4. ESTIMATED IMPACT OF PHP10.00 EXCISE TAX PER LITER ON 8 Oz, 1.5 LITERS, AND 2 LITERS OF SELECTED SOFT DRINKS
(Amounts in Pesos)

Particulars	Soft drinks A			Soft drinks B		
	8 Oz	1.5 L	2 L	8 Oz	1.5 L	2 L
SRP (VAT inclusive)	8.00	47.00	53.00	8.00	37.50	46.00
SRP (VAT exclusive)	7.14	41.96	47.32	7.14	33.48	41.07
Excise Tax Due (PhP10.00 per liter)	2.37	15.00	20.00	2.37	15.00	20.00
New SRP (Inclusive of excise)	9.51	56.96	67.32	9.51	48.48	61.07
12% VAT	1.14	6.84	8.08	1.14	5.82	7.33
New SRP	10.65	63.80	75.40	10.65	54.30	68.40
% Increase in Price	33.18%	35.74%	42.26%	33.18%	44.80%	48.70%

Source: Waltermart Supermarket – Prices are as of April 20, 2017

Table 5. EXCISE TAX ON SOFT DRINKS AND OTHER TYPES OF BEVERAGES IN ASEAN MEMBER-COUNTRIES

Country	Particulars	Ad Valorem Tax (AVT) (in %)	Specific Rate		Conversion to PhP*
			Unit Count	Foreign Currency	
Cambodia²⁰	<i>Specific Tax on Certain Merchandise</i> ➤ All types of beverages including soft drinks	10			
Lao PDR²¹	<i>Excise Tax</i> ➤ Ready-made drinks (1) Soft drinks, soda, mineral water, fruit juices, and other similar drinks (2) Energy drinks	5 10			
Thailand²²	<i>Excise Tax Rate on Beverage</i> ➤ Soda ➤ Generic drinks ➤ Juice (1) General juice (2) Fruit juice, fruit juice with ingredients as prescribed by DIP	25 20 20 Exempt	Per 440 c.c. (Per liter) Per 440 c.c. (Per liter) Per 440 c.c. (Per liter) Exempt	THB 0.77 (THB 1.75) THB 0.37 (THB 0.84) THB 0.37 (THB 0.84)	PhP 1.16 (PhP 2.64) PhP 0.56 (PhP 1.27) PhP 0.56 (PhP 1.27)

Note: 1 Liter = 1000 cc

* Foreign exchange rate THB1.00 = PhP1.44377, <http://www.oanda.com/currency/converter> (as of July 20, 2017)

²⁰ “Law on Taxation” http://www.cambodiainvestment.gov.kh/content/uploads/2012/02/Law-on-Taxation-of-2004_0401.pdf, (viewed 01 June 2017).

²¹ Lao PDR Tax Department, “Rates of Excise Tax”, http://www.tax.gov.la/Eng_WebPages/TaxRate.aspx, (viewed 01 June 2017).

²² Thailand Excise Tax Department, https://www.excise.go.th/KNOWLEDGE/GOODS_KNOW/DRINK/WEBPORTAL16200021996, (viewed 01 June 2017).

There are also proposals in Malaysia, Indonesia and Vietnam to impose a tax on soft drinks due to health risks to the consumers, viz.:

- (a) **Malaysia** – Consumer groups in Malaysia are proposing to impose a tax on soft drinks as an effort to reduce the escalating diabetics among Malaysians.²³
- (b) **Indonesia** – The government intends to implement an excise tax on soft drinks especially on flavored carbonated drinks. The proposal aims to protect consumer health as soft drinks are considered to have negative impacts on health if consumed excessively.²⁴
- (c) **Vietnam** – Policy-makers proposed the amendments of the Excise Tax Law, including proposed excise tax of 10% on carbonated soft drinks, Ha Long on July 4, 2014.²⁵

Moreover, the table below shows that in some selected developed economies, specific tax rates on non-alcoholic beverages are being applied. (Table 6)

Since the proposed excise tax shall also be imposed on powdered juices or concentrates, these may be taxed based on their expected volume or on actual weights.

One example is the Berkeley, California's Soda Tax.²⁶ Under Section 7.72.010 of Berkeley's Sugary Beverage Tax Law, the taxes on added-caloric sweeteners²⁷ are determined based on the product manufacturer's instructions. For instance, a 1-liter powdered juice with a price of \$1.00 would have a tax of \$0.34 per liter when the Sugary Beverage Tax rate of \$0.01/oz. is converted based on liters. (Table 7)

²³ "Tax soft drinks to control diabetes", <http://www.consumer.org.my/index.php/health/diseases/612-tax-soft-drinks-to-control-diabetes>, (viewed 01 June 2017).

²⁴ "Position Paper Agriculture, Food and Beverages Sector", 5th EU-Indonesia Business Dialogue (EIBD) 19th of November 2014, Jakarta, <http://www.eibd-conference.com/assets/files/Position%20Paper%202014/food.pdf>, (viewed 01 June 2017).

²⁵ "Proposed excise tax on carbonated softdrinks may be reconsidered", <http://www.amchamvietnam.com/30445211/proposed-excise-tax-on-carbonated-soft-drinks-may-be-reconsidered/>, (viewed 01 June 2017).

²⁶ Imposing a general tax on the distribution of sugar-sweetened beverage products. (n.d.) Retrieved last July 27, 2016 from <http://www.cityofberkeley.info/uploadedFiles/Clerk/Elections/Sugar%20Sweetened%20Beverage%20Tax%20-%20Full%20Text.pdf>

²⁷ An Added caloric sweetener may take any form, including but not limited to a liquid, syrup, and powder, whether or not frozen. "Added caloric sweetener" includes, without limitation, sucrose, fructose, glucose, other sugars, and high fructose corn syrup, but does not include a substance that exclusively contains natural, concentrated, or reconstituted fruit or vegetable juice or any combination thereof. (Berkeley Soda Tax)

Table 6. SPECIFIC TAXES ON NON-ALCOHOLIC BEVERAGES IN SELECTED COUNTRIES

Country	Products	Tax Base	Foreign Currency	In PhP*
Hungary ²⁸	Sweetened drinks Energy drinks Sweetened chocolate powder	per liter per liter per kilogram	HUF 7.00 HUF 40.00 to HUF 250.00 HUF 70.00	PhP 1.34 PhP 7.64 to PhP 47.76 PhP11.91
France ²⁹	Drinks containing added sugar Sweetened drinks Energy drinks	per hectoliter (per liter) per hectoliter (per liter) per hectoliter (per liter)	€7.45 (€0.0745) €7.45 (€0.0745) €1.00 (€0.01)	PhP 435.92 (PhP 4.36) PhP 435.92 (PhP 4.36) PhP 58.51 (PhP 0.59)
Finland ³⁰ (Excise)	Soft drinks Solid ingredients for drinks	per liter per kilogram	FIM 0.045 FIM 0.34	PhP0.44 PhP3.35
Mauritius ³¹	Sugar contained in drinks	per gram (per kilogram)	MUR 0.03 (MUR 30.00)	PhP 0.04 (PhP 42.98)
Mexico ³² (Soda Tax)	Sweetened drinks	per liter	MXN 1.00	PhP 2.90
Samoa ³³	Sweetened drinks	per liter	WST 0.40	PhP 8.08
Tonga ³⁴	Sweetened drinks	per liter	TOP 1.00	PhP 22.65
USA (Berkeley, California) ³⁵ (Excise Tax)	Sugar sweetened beverages	per ounce (per kilogram)	USD 0.01 (USD 0.35)	PhP 0.51 (PhP 17.77)

Notes: 1 hectoliter = 100 liters; and 1 kilogram = 1000 grams = 35.274 ounces

Conversion as of July 20, 2017, available at <https://www.oanda.com/currency/converter/>

²⁸ Nutrition Taxes: A Broken Tool in Public Policy, www.institutmolinari.org/IMG/pdf/note0314_en.pdf, (viewed 01 June 2017).

²⁹ Ibid.

³⁰ Finnish Tax Administration, "Taxation in Finland 2009, Ministry of Finance", https://www.vero.fi/en-US/Tax_Administration/Information_on_taxation, (viewed 01 June 2017)

³¹ <http://www.mra.mu/index.php/importexport-a-others/331-soft-drinks>

³² Nutrition Taxes: A Broken Tool in Public Policy, op. cit.

³³ Nutrition, op.cit.

³⁴ Ibid.

³⁵ <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC4605188/>, (viewed 01 June 2017)

Table 7. SAMPLE CONVERSION OF TAX BASED ON UNIT OF MEASUREMENT

Item	Amount	Conversion (in PhP)*
Price of 1-liter powdered juice concentrate	\$1.00	PhP50.82
Sugary Beverage Tax	\$0.01/oz.	
ounce to liter conversion	33.814 oz./L	
Multiply: SBT by conversion factor	0.34/L	
Multiply converted SBT by Price = SBT Due	\$0.34	PhP17.26

* US\$1.00 = PhP50.82 Bangko Sentral ng Pilipinas (BSP) Foreign Exchange Rate as of July 20, 2017. <http://www.bsp.gov.ph/statistics/keystat/day99.htm>

IV. CONCLUSION AND RECOMMENDATIONS

The imposition of an excise tax on SSBs is deemed timely and justifiable on the ground that these beverages are addicting for some, and have been substituted for drinking water. Certainly, the habit of excessive consumption of these products causes adverse health effects. Thus, given a strong public support, together with substantial health benefits and additional revenue that could be expected from the tax, it is a highly supported policy option of the government. Simply put, a tax on sugary drinks is an essential element of a comprehensive approach to address poor diets and obesity as well as to fund health-related programs of the government.

With regard to the type of excise tax, a single specific tax rate based on volume capacity is more applicable than ad valorem tax given that the latter is prone to marketing and pricing strategies that may lower the tax revenue of the government. Such rate may be indexed to inflation preferably every five (5) years to prevent the erosion of its real value.

