



Frequently Asked Question (FAQ)

Sugar-Sweetened Beverages (SSB) Tax

General

1 What is SSB/MBDK?

SSB is an abbreviation of sugar-sweetened beverages. In Indonesia, the term MBDK is used, and this is an abbreviation for *minuman berpemanis dalam kemasan*. CISDI defines SSB as¹:

- All product beverages with added sweeteners (both sugar sweetener or non-sugar sweetener).
- All sweetened beverages in liquid, concentrate, or powder form.

Products that are included in this category are, but not limited to: carbonated beverages, energy drinks, juices, isotonic drinks, herbal or vitamin drinks, flavored milk, pre-packaged tea and coffee, condensed milk, and syrup.

2 What is SSB Tax?

SSB Tax is a type of excise tax that will be implemented on SSB and paid by consumers. Excise tax is imposed on certain products, where the characteristics are written in regulations with the aim in regulating production and consumption of the products. According to Excise Tax Law No. 39/2007 and Harmonization of Tax Regulations Law No. 7/2021, products are eligible for excise tax in Indonesia if it consists of these characteristics:

- Consumption must be limited
- Distribution must be monitored
- Consumption has negative impact on the people and environment
- Consumption needs to be levied for justice and harmony

In Indonesia, excise tax has only been levied on three product categories: tobacco products, ethyl alcohol, and beverages that contain ethyl alcohol.

3 Why SSB Tax?

In Indonesia, the consumption of SSB has increased by 15 times in the last two decades. High consumption of SSB increases the risk of obesity, type 2 diabetes, hypertension, liver and kidney diseases, cardiovascular diseases, as well as several types of cancer. Basic Health Research (Riskesdas) in 2018 found that there has been a significant increase in obesity and non-communicable diseases (NCDs) prevalence in the last five years. The Institute of Health Metrics and Evaluations (IHME) reported that in 2019, mortality causes in Indonesia are dominated by NCDs where diabetes is ranked third.

Moreover, High SSB consumption also has a negative impact on the economy. The Social Health Insurance Administration Body (BPJS Kesehatan) reported that between 2017 and 2019, there had been an increase of cost for primary and secondary healthcare services for diabetes care by 29%, reaching Rp 108 trillion. This cost did not include other costs for other diseases. And yet, the Ministry of Finance has estimated that SSB tax implementation will bring additional state revenue from Rp 2.7 trillion to Rp 6.28 trillion annually. Therefore, SSB tax needs to be implemented as soon as possible to mitigate the negative impacts of SSB consumption.

Policy brief on SSB Tax can be read [here](#).

4 How will SSB tax be implemented?

SSB tax will increase the retail price of SSB; This means a decrease in SSB sales, reduce the consumption, and eventually mitigate the negative impacts on health that comes from SSB consumption. Based on the results of SSB Tax implementation in 49 other countries, implementation of excise tax of 20% is predicted to decrease consumption of SSB by 24%.¹ Hence, we demand the government **to quickly implement SSB Tax of minimum 20% based on sugar content, comprehensively, toward all sugar- and non-sugar sweetened beverages**. After its implementation, the excise rate needs to be increased every year to continue in reducing consumption significantly as soon as possible.

5 Instead of new taxes, why don't the government do more health promotion to raise awareness on the danger of excess SSB consumption?

Health education and promotion are part of the effort to raise awareness, and these strategies have continued to be implemented in Indonesia through public and private efforts. However, health education and promotion strategies need to be complemented with other policies to yield maximum impact and create a healthier food environment in Indonesia. Education is not enough. Another approach using fiscal policy, such as SSB tax, has been proven to be effective in reducing SSB consumption after implementation.

6 Which other countries have implemented SSB tax?

Per July 2023, there have been 49 countries that have implemented SSB Tax and this number continues to increase. In 2014, Mexico implemented a SSB tax of 10% and the country has since successfully reduced SSB sales by 37% between 2012 to 2016, as well as increasing sales of water and other beverages that are not levied.² In South Africa, SSB Tax was implemented in 2018 for 10% and has seen reduction of SSB sales by 29% between 2014 to 2019.² In the South East Asia region, there are four countries that have implemented SSB Tax, which are: Thailand (2017), Brunei (2017), Philippines (2018), and Malaysia (2019).³

Health

1 What is the impact of SSB on health?

SSB is a high-calorie product that has minimal nutritional value, hence why it is often called an empty calorie product. The Ministry of Health released a nutritional guideline in which the daily sugar consumption limit is 50 grams.⁴ Riskesdas reported that over 60% of Indonesians consumed a minimum of one SSB product per day.⁵ Andarwulan et al conducted a study in 2021 and found that SSB contributed to 58% of daily sugar consumption limit among groups of male adults.⁶ SSB tends to have high sugar content and it is easy to overindulge since SSB consumption does not cause satiety.⁷ Study has shown that there is an increased risk of type 2 diabetes by 18% for every SSB serving consumed per day.⁷

Overconsumption of SSB increases daily calorie intake and may result in increased prevalence of obesity, which is one of the risk factors for diabetes and other NCDs. Hence, by implementing the SSB tax which was proven to be effective in reducing SSB consumption, the negative health impact caused by SSB consumption can therefore be mitigated.

2 How does the SSB tax influence health?

SSB tax has been proven to reduce SSB consumption based on impact evaluations in other countries that have implemented the policy.² As SSB consumption decreases, the prevalence of obesity, diabetes, and other NCDS, will naturally decrease as well.

3 Will beverages with added artificial sweeteners or non-sugar sweeteners (NSSs) be levied as well?

In the early phase, SSB tax will be implemented only to beverage products that use sugar as added sweeteners. However, in the next stage, SSB tax will be pushed to also include beverages that use non-sugar sweeteners as well.

4 Why should SSB with NSSs also be levied?

In May 2023, WHO released a new guideline on using non-sugar sweeteners (NSSs) based on the most recent evidence.⁸ From the guideline, WHO reported that NSSs are not a better alternative than sugar. Research showed that NSSs did not give long term health benefits among adults or children, and instead might increase risk of diabetes and cardiovascular diseases. Hence, NSSs **are not recommended** for usage with the aim to control weight or to reduce NCDs risk.

Common NSSs include acesulfame K, aspartame, advantame, cyclamates, neotame, saccharin, sucralose, stevia and stevia derivatives.

5 Will viral drinks (e.g. bubble tea, milk coffee, etc.) in stores be levied?

Popular and viral drinks such as bubble tea or coffee drinks from coffee shops or restaurants, are not products that will be levied at the moment. However, SSB regulation through fiscal measures hopefully will also change consumption patterns in Indonesia by encouraging consumers to request for 'less sugar' option for their drinks and to be more aware of their daily sugar intake.

Economy/Industry

1 Will the SSB tax cause massive unemployment?

No.

Based on the impact evaluation in other countries that have implemented SSB tax, implementation of this policy does not increase numbers of unemployment. In Mexico, which has implemented the SSB tax since 2014, there was no change in unemployment numbers^{2, 9}. Peru, which has implemented the same policy since 2018, also did not see any increase in unemployment numbers.¹⁰ The claim from the beverage industry SSB tax will cause catastrophe within the industry is false. Industries have various different products besides SSB. Even when there is a decrease in SSB sales, this will be followed by increased sales for other products that are not levied, such as bottled water or less sugar versions of the levied products.

Furthermore, the long-term impact of the SSB tax is predicted to lower the burden of NCDs. This will create a healthier community that is more productive and will support the industry by having stronger and healthier labor forces. Even in the scenario that there would be job loss within the industry, new employment opportunities would appear as consumers would look for other ventures or services to spend their money on.

2

Will the SSB tax cause bankruptcy within the industry and among small-medium enterprises?

No. Even with the decreasing number of SSB sales, implementation of SSB tax in other countries showed that consumers would buy other products that were healthier and not levied, like bottled water. In Mexico, sales of bottled water increased by 5% and sales of products that are not levied (e.g. less sugar beverages) showed an increase of sales by 11% within the first year of SSB tax implementation.² Besides that, SSB tax implementation will encourage the industry to reformulate their products and to innovate with new products that have less sugar and attract new consumers. Study has also shown that SSB tax will not cause bankruptcy among small-medium enterprises.¹¹

3

Will the SSB Tax cause inflation?

No. Even though SSB tax will increase the price of SSB products, this price increase will be burdened to the consumers, not to the industry.

4

Will the SSB tax increase the price of basic needs products (e.g. sugar, salt, rice, cooking oil)?

No. SSB Tax will only be levied on SSB products, not on sugar itself. There is no evidence that this fiscal policy will increase the price of other basic needs products. The price increase mechanism for basic need products differs greatly from the mechanism of levying SSB Tax.

5

What will the revenue from SSB tax collection be used for?

The Ministry of Finance estimated that implementation of the SSB Tax would increase state income from Rp 2.7 trillion to Rp. 6.7 trillion annually.¹ Even though there is yet to be any written regulations on how collected SSB tax would be used, this new revenue hopefully could be used to further public health missions, such as to fund more comprehensive health promotions and programs to prevent NCDs. This is especially important since there is no longer a 10% mandatory spending requirement with the passing of the new Health Law.

Furthermore, it is important to highlight that the cost due to healthcare expenditures caused by SSB consumption is also terribly high. BPJS Kesehatan spent up to Rp. 108 trillion in 2019 to cover primary and referral healthcare services costs related to diabetes treatment. This was a 29% increase from 2017. Hence, the new state income could also be used to cover for the deficit of BPJS Kesehatan that reached up to Rp. 6.36 trillion in 2020.¹

Miscellaneous

1 *SSB tax seems to target lower-middle income consumers. People that have more money would still be able to buy SSB anyway. Isn't this a form of class discrimination?*

Compared with other income groups, lower-income groups experienced higher exposure to SSB advertisements, consumed more SSBs, and suffered from more NCDs-related burdens.¹² Hence, lower-income groups will actually experience more benefits by reducing their consumption of SSBs. In Mexico, purchases of SSB among lower-income consumers were reduced three times as much as higher-income consumers.¹² Price elasticity study conducted by CISDI also found that the lowest income consumers in Indonesia would be the most responsive toward increased price of SSB, by reducing their consumption of SSB.¹³

When there is a decrease in risks of developing NCDs, out-of-pocket health expenses and government healthcare spending will also decrease, lowering the overall burden of disease. This will eventually lead to better economic development and will improve overall welfare in the future.¹²

2 *What is consumed by children is the parents' responsibility. This means that the focus should be on parenting, not by levying tax.*

Even though children are parents' responsibility, the government also has responsibility to provide a healthy environment that can support the children's welfare. SSB Tax implementation will change the food environment from once being dominated by SSB, into one that has more healthier products with better nutritional value for their growth and welfare.

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