

WELCOME TO COLLEGE DAY

June 2024

Economics Department

Summer Homework



Study **Extracts A, B, C and D** and then answer all the questions that follow.

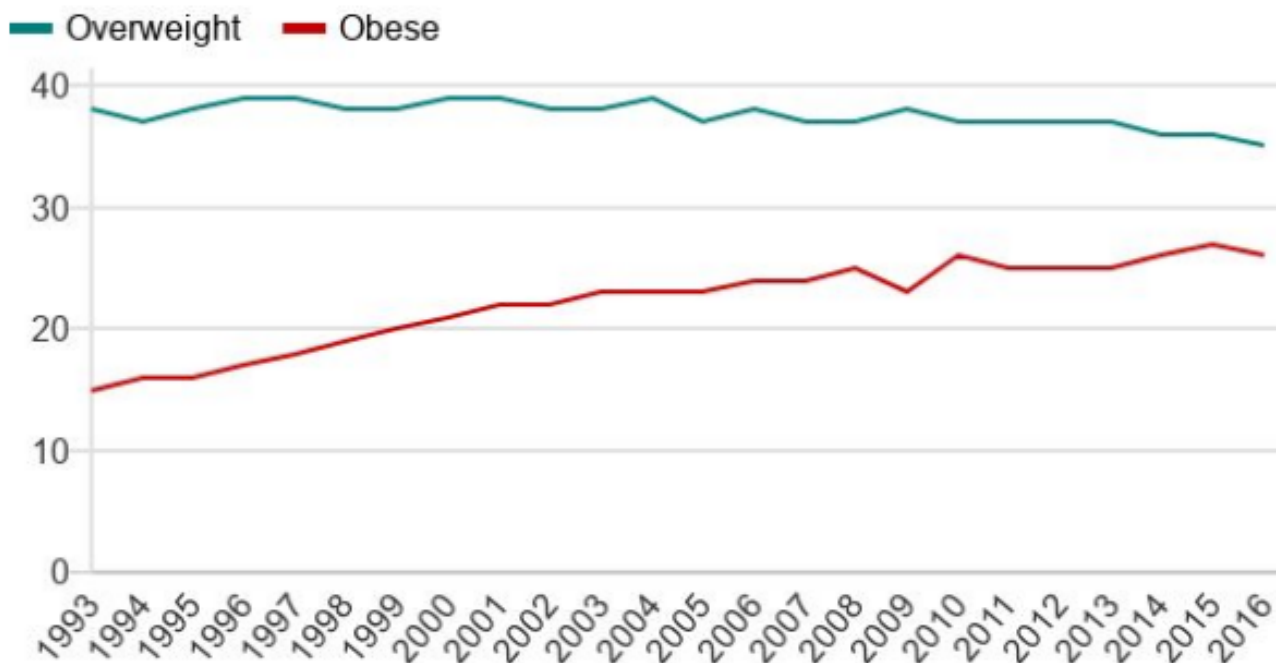
Extract A: Direct and Indirect Taxes

A tax is a compulsory contribution to government revenue. A direct tax is a tax which cannot be shifted, by the person legally liable to pay the tax, onto someone else e.g. income tax. An indirect tax can be shifted by the person legally liable to pay it onto someone else. For example, the seller of a good or service who is liable for the VAT (value added tax) can put up the price they charge to recover the amount they pay to the government.

Extract B: Percentage of adults who were overweight (upper line) or obese (lower line) in England, 1993-2016

Adult obesity in England

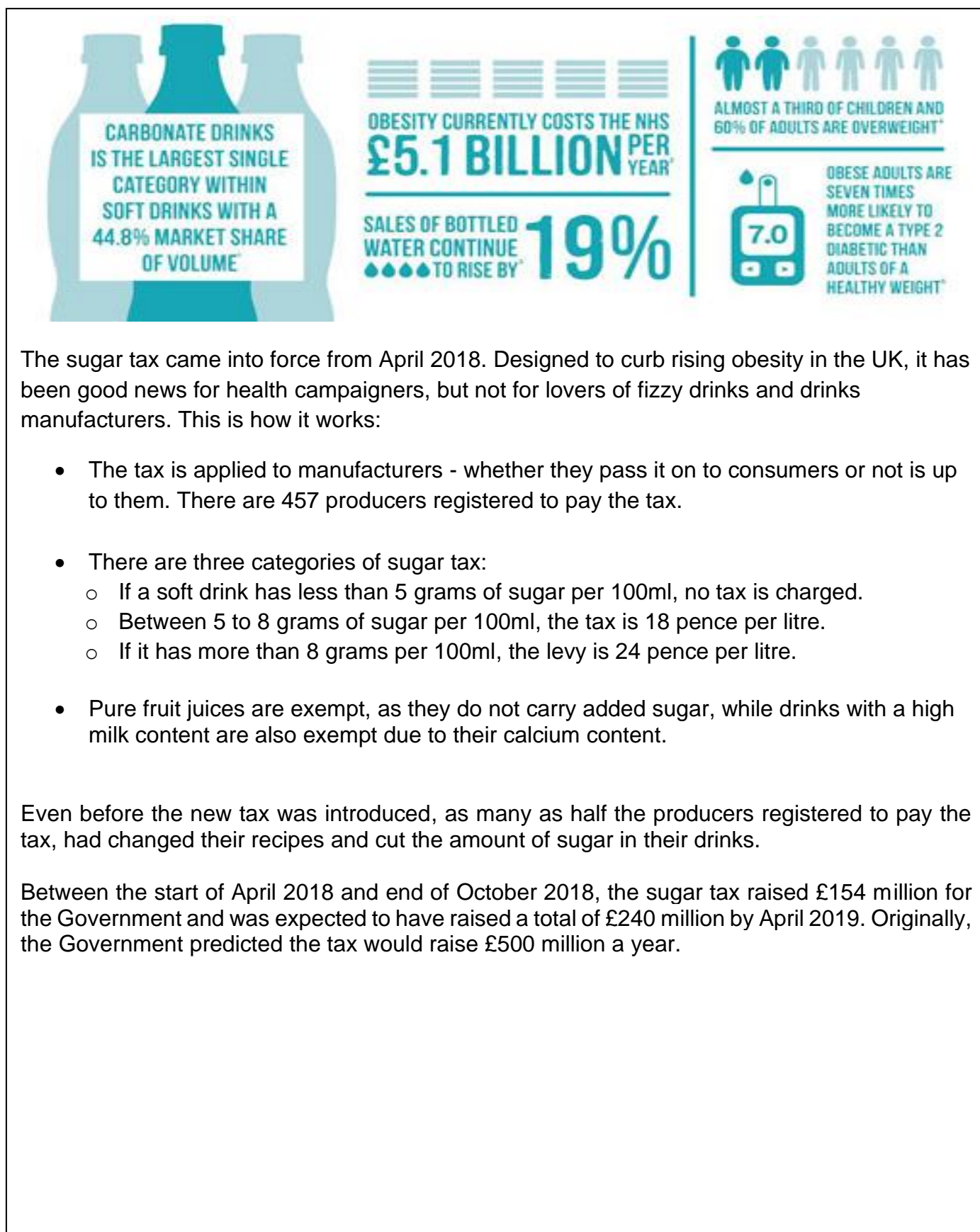
Percentage of adults (aged 16 and over)



BBC

The rate of obesity among adults in England increased from 15% in 1993 to 26% in 2016, based on NHS survey data. However, it has remained fairly static since 2010.

Extract C: The Sugar Tax Explained



The sugar tax came into force from April 2018. Designed to curb rising obesity in the UK, it has been good news for health campaigners, but not for lovers of fizzy drinks and drinks manufacturers. This is how it works:

- The tax is applied to manufacturers - whether they pass it on to consumers or not is up to them. There are 457 producers registered to pay the tax.
- There are three categories of sugar tax:
 - If a soft drink has less than 5 grams of sugar per 100ml, no tax is charged.
 - Between 5 to 8 grams of sugar per 100ml, the tax is 18 pence per litre.
 - If it has more than 8 grams per 100ml, the levy is 24 pence per litre.
- Pure fruit juices are exempt, as they do not carry added sugar, while drinks with a high milk content are also exempt due to their calcium content.

Even before the new tax was introduced, as many as half the producers registered to pay the tax, had changed their recipes and cut the amount of sugar in their drinks.

Between the start of April 2018 and end of October 2018, the sugar tax raised £154 million for the Government and was expected to have raised a total of £240 million by April 2019. Originally, the Government predicted the tax would raise £500 million a year.

Extract D: The Sugar Tax Evaluated

Health campaigners broadly welcomed the new tax. Dr Max Davie, of the Royal College of Paediatrics and Child Health, said at the time, "The sugary drinks that will be affected by this tax have no nutritional benefit. They are a major contributor to high sugar diets and we are in no doubt that they are, in part, contributing to this country's obesity crisis."

However, many soft drinks manufacturers are not happy. Gavin Partington, of the British Soft Drinks Association, said, "There is no evidence that taxes of this sort reduce obesity, and it is ironic that soft drinks are being singled out for tax when we've led the way in reducing sugar intake, down over 17% since 2012".

EVALUATING TAXES - CASE FOR THE SUGAR TAX



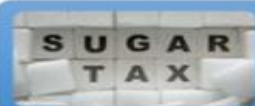
External costs of sugary drinks – a cause of market failure. Extra pressures on NHS from diabetes / tooth decay



Information failure – people lack awareness and underestimate the private costs of addiction to high sugar drinks



Sugar tax raises extra revenue – this can be ring-fenced for other projects e.g. extra funding for primary school sports



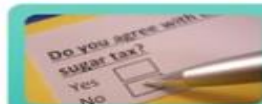
Tax encourages producers to re-formulate drinks and bring healthier products to market (perhaps the biggest effect?)

tutor2u*

EVALUATING TAXES - ARGUMENTS AGAINST A SUGAR TAX



Might be regressive on lower income families who will then have less income to spend on more nutritious food/drink



We shouldn't rely on taxes alone to cut consumption. Sugar tax might be less effective than regulation / nudge theory



If drinks are taxed, then people might simply switch to other sugary products to get their daily "sugar fix"



Risk of thousands of lost jobs in pubs and shops that rely on drink sales for their revenues

tutor2u*

Watch this video clip: <https://www.bbc.co.uk/programmes/p05vtq9q>

Source: news reports, 2018 and Tutor2U

1. Use **Extracts A and C** to explain why the sugar tax is an example of an indirect tax.

[3 marks]

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2. Using **Extract B**, calculate the change in the percentage of obese adults in England between 1993 and 2016.

[2 marks]

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3. Using **Extract C**, calculate the amount of sugar tax paid on a 330ml can of Coca Cola, to the nearest pence. Coca Cola has 10.6 grams of sugar per 100ml.

[4 marks]

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4. Using **Extracts A, B, C and D**, complete each section of the following table: **[8 marks]**

Advantages of the Sugar Tax			
Consumers of soft drinks	Soft drinks manufacturers	The Government	Economy and society
Disadvantages of the Sugar Tax			
Consumers of soft drinks	Soft drinks manufacturers	The Government	Economy and society

5. Using less than 50 words, give your opinion as to whether you think the sugar tax is a good way to lower obesity in the UK. **[3 marks]**

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END OF ASSESSMENT