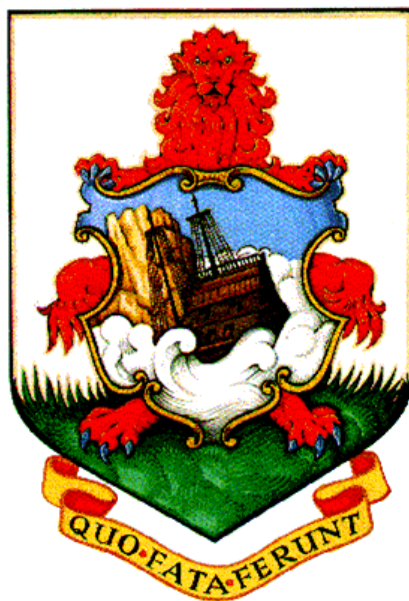


A BRIEF OF A BILL ENTITLED THE  
**CUSTOMS TARIFF AMENDMENT BILL 2019**



Prepared for  
The Honourable Kim Wilson, JP, MP  
Minister of Health

*22<sup>nd</sup> March 2019*

## CUSTOMS TARIFF AMENDMENT (No 2) BILL 2018

### Overview of the Bill

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#### **Mr. Speaker**

I am pleased to invite Honourable Members to give consideration to the Bill entitled 'Customs Tariff Amendment Act 2019'.

#### **Mr. Speaker**

The Bill proposes to amend the Customs Tariff Act 1970 ("the principal Act") with measures that include—

1. Increase the duty rate to 75% for food and beverage items affected by the sugar tax on 1 April 2018 and;
2. Apply the above-mentioned duty rate to chocolate and cocoa preparations containing added sugar

These measures affect the 1<sup>st</sup> Schedule to the principal Act. As the Minister responsible for the policy initiative pertaining to this amendment, I'm pleased to be speaking on the matter to this Honourable House.

**Mr. Speaker,** I will be proposing an amendment on the floor to remove breakfast cereals from the items that would have been subject to the

sugar tax in the Bill as Tabled. This decision followed consideration of additional feedback received and it was determined to postpone their inclusion until the tariff code can differentiate between high-sugar cereals and healthy breakfast cereals.

**Mr. Speaker**

In June 2018 the Government introduced, as promised in the Throne Speech and the Budget Statement, an increase in the duty rate on sugar sweetened beverages, candies and pure sugar. These proposals were outlined in detail in the Ministry of Health's Sugar Tax Consultation document and subsequent reports.

**Mr. Speaker,**

I advised my Honourable colleagues in June 2018 that Bermuda's new sugar tax would be phased-in gradually. Today it is proposed to raise the duty rates on the said items to 75% from 1<sup>st</sup> April 2019.

On 1<sup>st</sup> October a 50% duty rate was implemented on the said items as part of a transitioning phase. In addition to the full 75% duty rate implementation, chocolate is proposed to be included in the tariff as of 1<sup>st</sup> April 2019, also at the 75% sugar tax rate.

**Mr. Speaker**

The food system is an interconnected network of providers, servers and consumers. Policy can affect all parts of the network, and Government is determined to take progressive steps to influence a cultural shift towards healthier food choices in Bermuda in order to tackle our obesity and chronic disease epidemics.

Three out of four adults in Bermuda are overweight or obese. Healthy eating and active living – or ‘HEAL’ as a handy acronym – go hand in hand but it’s almost impossible to exercise yourself out of an unhealthy diet.

Unhealthy weight is a leading risk factor for chronic diseases and such as heart disease, diabetes, kidney disease and cancer as well as health problems like hypertension and stroke. It is estimated that currently diabetes and kidney disease account for 10% of the country’s total health spending, **Mr Speaker**. This means just 2 lifestyle-induced, preventable conditions are costing us \$78 million dollars. This has to stop. The sugar tax is an important part of the measures needed to change choices and behaviour.

**Mr. Speaker,**

The World Health Organization (WHO) recommends that free sugars should be limited to less than 5% of the daily energy intake or less than 25g of sugar per day. **Mr. Speaker**, this means that a single soda already exceeds the WHO recommended daily intake. And since 50% of adults in Bermuda drink at least one sugary drink a day, we can begin to appreciate how it may contribute to 75% of our population being overweight or obese.

### **Mr. Speaker**

In one Hamilton grocery store the grocer has now affixed blue labels under sugar tax items that state “this item has been affected by the sugar tax”. In one aisle alone I counted 28 labels! I want to thank the grocer for putting out these labels. If your shopping cart and daily diet includes one or more of these items it is likely that you need to “rethink your drink” or change your diet.

It is sobering to recognize how many sweetened, calorie-dense food and drink items have flooded our grocery stores and diets. Items that were previously consumed in moderation or as treats have become regular fare. Bermuda: we are immersed in an obesogenic environment and it’s going to take awareness, vigilance and hard work to change that for the better.

**Mr. Speaker,**

The World Health Organization (WHO) proposes the use of taxes as part of a broader strategy to prevent obesity and non-communicable diseases, including type 2 diabetes, to improve health outcomes and direct persons towards healthy options. For instance the WHO has recommended that sugar sweetened beverage taxes should be designed to increase retail prices by 20% to most meaningfully impact health. Indeed, a number of other jurisdictions have introduced measures in recent years, and studies before and since the introduction of sugar taxes have shown that they help reduce consumption of these products.

A recent study published on 30 January, 2019 showed that the Barbados sugar sweetened beverage tax of 10% introduced in June 2015 increased the retail price by 5.9% and decreased sales by 4.3%. At the same time, sales of non-sugar sweetened beverages increased by 5.2% with bottled water sales going up by 7.5%, which is encouraging from a health perspective

While sugary drinks have been the focus of the sugar taxes in most other jurisdictions, the tax proposed for Bermuda includes items such as candies (which now includes chocolate) and plain sugar. The goal is to

curb unwanted consumption of these foods which contribute no nutritional value to our daily diets.

**Mr. Speaker**

As a reminder, the Department of Health's full consultation report on the sugar tax is published on our web site. **Mr. Speaker**, there were 351 responses to the consultation. The findings of the consultation supported the implementation of the sugar tax with most respondents indicating that the tax would change consumers' behaviour. A clear majority of 60% said candy should be taxed and many questioned why chocolate was not included and it is now proposed to be included.

**Mr. Speaker**

There was broadest support from the consultation for the tax to be introduced at 75% duty on the suggested items and that is why we are now proposing to implement the full 75% duty rate.

Sugar and sugar sweetened items have become more expensive at retail locally and the increase has prompted greater awareness and adoption of healthier buying habits. There continues to be much support for the sugar tax and I have received letters of thanks for persons who have been motivated to drastically reduce their daily

sugar intake and introduce high fibre and lean protein with every meal. Some amazing results, including diabetes reversal are possible and are being achieved.

**Mr. Speaker**

The three most important decisions that we all make for our health every day are breakfast lunch and dinner! The Government has eliminated duty on potatoes, cauliflower, broccoli, turnips, carrots, oranges and apples to further support healthier nutritional choices, showing this Government is absolutely committed to improve our diets.

As the Government indicated in previous Budget Statement the additional revenue collected from the sugar tax is to support the promotion of healthy living initiatives. Since the October 2018 implementation the value of imported goods fell by 24% with a decrease of \$1.2 million dollars. While it is still early days and we will continue to monitor, it may well indicate that importation of these items fell during the first five months of implementation. If this reflects reduced consumption of sugary items, then it is good news. But we have to monitor for a longer period, together with behavioural surveys of consumption to see the impact conclusively.



Nevertheless, despite the reduced imports, there was a net gain in duty of \$695 thousand dollars for the affected items – that is a 66% increase in duty despite reduced imports. As I said, it is early days, but so far the figures are promising.

The additional funds generated by the sugar tax will be allocated to support healthy living initiatives as they develop. To date, the additional revenue has helped to offset a \$200 thousand reduction in revenue from duty losses due to the reduction of healthy items to 0% duty. Also, nutrition labelling on menus and vertical farming have been identified as initiatives that will be supported, and this continues to be a work in progress as potential initiatives develop further.

**Mr. Speaker,**

I welcome and encourage entrepreneurship in tapping into the public's increasing demand for healthier alternatives with reduced or no sugar. A market exists for this and more and more products can be seen on many retailers' shelves reflecting the changing mood and tastes of the population.

The consultation process also noted that local businesses were concerned that taxing sugar would make it more expensive for them to do business as their goods will be more expensive than imported goods. Local preparers of foodstuffs have been given the opportunity to apply for concessionary rates from the Minister of Finance under the existing provisions for commercial manufacturers of goods.

Two businesses have applied and were approved by the Minister of Finance to be included in a Customs Tariff (Approved Organisations) Notice 2019: Crow Lane Bakery and Dunkley & Pioneer Dairies Limited. A Statutory Notice will be published shortly.

**Mr. Speaker,** The Department will monitor consumption levels through health surveys and imports. The first price survey was completed in the summer of 2018 and will be repeated this summer. The STEPS survey will be repeated in 2019 and will monitor overweight and obesity to evaluate whether our interventions are making the difference we need.

**Mr. Speaker,** The Government remains committed to reducing chronic diseases and life-style related health problems in Bermuda.

Thank you, **Mr. Speaker.**