

ACS Submission: Strengthening the Soft Drink Industry Levy

ACS (the Association of Convenience Stores) welcomes the opportunity to respond to HM Treasury's and HMRC's consultation on strengthening the soft drink industry levy. ACS is a trade association, representing over 50,000 convenience stores across the UK. Members include the Co-op, Spar UK, One Stop and thousands of independent retailers. ACS' response to the consultation is limited to only answering questions which directly relate to the retail operational impact of the policy.

On the proposals to strengthen the soft drink industry levy, we expect this to have a limited direct impact on convenience retailers apart from needing to familiarise themselves with the products impacted, particularly the removal of exemption for milk-based drinks and milk-substitute drinks with added sugar.

If the government decides to go ahead with the proposals, we expect that that these changes will be largely communicated by the suppliers of these products to retailers via price increases and potential offerings of reformulated versions of the products on the market. In developing these proposals, the government should take an evidence-based approach which fairly weighs if the public health impact of this policy can justify the wider operational impacts across the business supply chain.

We have set out key points on our position, should the government decide to implement changes to the levy:

- The reduction in the SDIL minimum sugar threshold to 4g total sugar per 100ml will have a limited burden on convenience retailers apart from needing to familiarise themselves with the new products impacted which should in principle be done via suppliers they engage with.
- While we recognise that SDIL thresholds and NPM (HFSS) are developed for separate policy intentions, we want to highlight concerns about deviation from consistent approaches to defining types of food products that could result in confusion in the convenience sector and wider supply chain. It is important that the government consider this when setting thresholds.
- Regarding the proposal to remove the exemption for milk-based and milk-substitute drinks, the direct burden on convenience retailers is expected to be limited, aside from the need to understand that the policy change will lead to price increases for affected products. However, niche and newer categories of milk drinks will also be impacted, raising the genuine risk that smaller suppliers and retailers may be unaware of the changes. It is therefore essential that the government engages closely with industry throughout the implementation process.

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Responses to relevant consultation questions

7) What impact, if any, would a reduction in the SDIL minimum sugar threshold to 4g total sugar per 100ml have on your business? Please provide evidence to support your position.

The reduction in the SDIL minimum sugar threshold to 4g total sugar per 100ml will have a limited burden on convenience retailers apart from needing to familiarise themselves with the new products impacted which is typically assisted via suppliers they engage with. The government should prioritise consistent engagement with producers of impacted drinks to ensure communication is proactively done to prevent any confusion, should the policy come into effect.

9) Would it be easier for soft drinks producers to achieve incremental reductions in sugar content, e.g., gradually reformulating over time to reach 4g total sugar per 100ml, or to go straight to 4g total sugar per 100ml? Please provide evidence to support your position.

Retailer members that are producers have indicated they would prefer a staged approach to reformulation.

12) What unintended consequences (if any), including risk of non-compliance, could arise if the threshold is lowered to 4g total sugar per 100ml? How could businesses and government mitigate these risks?

While we acknowledge that the Soft Drinks Industry Levy (SDIL) thresholds and the Nutrient Profiling Model (used in HFSS regulations) are developed with distinct policy objectives, we wish to raise concerns about the implications of diverging definitions and criteria for food and drink categorisation.

A lack of alignment between regulatory frameworks risks creating confusion and inconsistency across the convenience sector and wider supply chain. Clarity and consistency in how product categories and thresholds are defined are essential for ensuring compliance.

We recommend the government to consider the benefits of a more harmonised approach to food and drink regulation. A consistent framework would enable manufacturers to follow a clear and unified set of guidelines when formulating products, and in turn allow retailers to more easily identify which products fall within or outside regulatory scope.

Looking ahead, if the government intends to introduce further policies affecting food and drink products, it is important that the cumulative impact and interaction of overlapping regulations are taken into account. Businesses value regulatory certainty not only to ensure compliance, but also to make long-term investment decisions on reformulation, marketing, and in-store strategy.

13) Do you agree that the exemption for milk-based drinks with added sugar should be removed? Please provide evidence to support your position.

On the proposal to remove the exemption for milk-based drinks, this will have limited burden on convenience retailers other than the need to understand that the change in policy will mean price increases communicated through their suppliers of drinks they sell. If the government decide to go this route, it should invest in communicating this policy clearly to ensure producers, retailers and consumers are informed of what is happening.

24) Do you agree that the exemption for milk substitute drinks with added sugar should be removed? Please provide evidence to support your decision.

As with the proposal to remove the exemption for milk substitute drinks, this will have limited burden on convenience retailers other than the need to understand that the change in policy will mean price increases communicated through their suppliers of drinks they sell. If the government decide to go this route, it should invest in communicating this policy clearly to ensure producers, retailers and consumers are informed of what is happening.