

## ***Position of ENSA on the Finnish Tax on Sweets***

**25 November 2014**

Late September 2014, the Finnish Government announced that it will not be putting to action the raise of the tax on sweets for 2015 agreed upon earlier in budget negotiations. The tax raise had been re-evaluated after the frame decision and the autumn budget negotiations. The Government also said that the preconditions for the possible implementation of a sugar tax would be re-evaluated. In 2013, a Government-appointed working group found that there were no grounds for the adoption of a sugar tax until the obligation to report sugars content (naturally present sugars as well as added sugars treated in the same way) comes into effect after the transition period of the EU regulation (1169/2011) in December 2016.

ENSA defines a strong need to change the current legislation regarding the tax on sweets. The current tax on sweets is applied to products according to customs tariff classification. Because plant-based drinks such as soy and oat drinks have the same customs code as e.g. soft drinks, sweet tax is applied. Milk and lacto-free milk drinks are exempted from the tax, and thus for example plain soy drinks, being nutritionally equivalent to milk are taxed, while plain milk and lacto-free milk drinks are exempted. The products are nutritionally substitutes and in competition with each other, but tax on sweets is only paid for plant-based products. Moreover, plain soy drinks are lower in sugars than plain milk. Because of this, ENSA argues that dairy products receive an unjustified competitive state aid advantage in Finland. Due to this ENSA has filed an official complaint to the EU Commission based on the effects of the current tax on sweets that distort competition. The current tax model discriminates equal products serving the same needs and cause an administrative burden for the retail which has also an impact on costs for both plant-based drinks producers, customers and consumers:



- As retailers and sales agents are obliged to pay the tax on sweets when importing soy and other plant and nut based drinks, they have to calculate the sum of the tax in their budgets. Dairy producers are not obliged to add the tax on sweets in their budgets and they are also free from the administrative burden relating to the formal taxation procedure. The tax on sweets favours dairy producers over soy and other plant and nut based beverage producers.
- The price difference between, for example, soy drinks and lactose-free milk drink is only EUR 0.20 (the retail price of lactose-free milk drink is EUR 1.90 and the price for a soy drink is EUR 2.10 per litre), which corresponds roughly to the amount of the tax on sweets and other costs. The tax increases the end-consumer price of soy-based drinks and limits future growth of the segment of soy and other plant and nut based products in Finland, thus reducing consumer choice and hindering effective competition.

Conventional milk and lactose-free milk drinks sold in Finland are mainly produced by domestic dairy producers. Soy and other plant and nut based products, on the other hand, are mainly imported into Finland from other EU Member States. The benefit received by the dairy industry due to the tax exemption amounts to at least EUR 152 million annually. The complaint filed by ENSA is being examined by the Commission. ENSA continues dialogue with the European Commission's case team and ultimately before the European Court of Justice if necessary in order to abolish current sweet tax.

### **Replacing the tax on sweets with a sugar tax**

The working group that looked into the sugars tax found in its final report in 2013 that the so called combination tax model would be the best option for reaching the public health goals set for the tax. The working group also said that due to the administrative burden, the combination tax cannot be implemented until the EU regulation (1169/2011) demanding reporting of sugars content comes into effect in the beginning of 2017.

In the combination tax model, the nutritional content of products would be assessed more extensively and products could be exempted from the tax if they promoted healthy nutrition. In the working group's suggestion, the tax would only be applied to solid food products that contain more than 5 grams of sugars in 100 grams. Thus low-sugars products such as bread and unsweetened dairy products could be exempted. The working group went on to suggest exemptions for special diet products, milk and milk substitutes such as soy, rice and oat drinks that contain less than 5g/100g sugars which should take into account both naturally present sugars (like lactose in milk) as well as added sugars.

Today, the sweet tax grants an illegal state aid and an artificial competitive advantage to the Finnish dairy Industry.

### **Examples from other countries**

Many other European states in which soft drinks are taxed have taken the position of soy drinks and other plant-based drinks into account in their law-making and exempted them from the tax. For example in Belgium, drinks having at least 1.5 g of milk protein or soya protein per 100 ml are completely exempted for the soft drinks tax. In the Netherlands, soy products with protein and fat content similar to dairy products are exempted from the soft drinks tax.

### **Plant-based products as nutrition**

- In accordance with the recommendations of the Finnish National Nutrition Council given in 2014, it is possible to substitute milk with plant-based drinks, such as soy or oat milk.<sup>1</sup> According to nutritional information of the Finnish National Institute for Health and Welfare (Terveyden ja hyvinvoinnin laitos, THL), soy drinks are a good source of calcium.

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<sup>1</sup> In Finnish, [http://www.ravitsemusneuvottelukunta.fi/files/attachments/fi/vrn/ravitsemussuosituksset\\_2014\\_fi\\_web.3.pdf](http://www.ravitsemusneuvottelukunta.fi/files/attachments/fi/vrn/ravitsemussuosituksset_2014_fi_web.3.pdf), p. 21

- On the other hand, even though the Ministry of Finance tries to present dairy products as naturally healthy, cow's milk is not a source of vitamin D, but the vitamin is added in production process in the same way like for soy drinks. Moreover, compared to milk, soy drinks are low in saturated fat, contain similar or even less sugars compared to milk (containing 5g lactose/100ml) and are naturally lactose-free. Also lactose-free milk drink is processed from cow's milk to reduce or remove lactose. Milk is, therefore, also a processed product.
- With regard to iodine, milk is not the only source of iodine. Other important sources of iodine are eggs, fish and iodine-added salt.<sup>2</sup>
- According to a Finnish Horticultural Products Society, the sources of vitamin B2 are milk, meat and whole-wheat products. Vitamin B12 is obtained mainly from animal products, such as meat, milk, liver, fish, and egg products. Vitamin D is obtained from bread spreads, fish, milk, and egg products.<sup>3</sup> Milk is not the only source of the above-mentioned nutrients. Most soy drinks also contain these vitamins at equal levels.
- Plain Soy drink is a source of high-quality protein containing all essential amino acids, is low in saturated fat and in low in sugars and is naturally lactose-free. Most soy drinks also contain calcium and vitamins B2, B12 and D. From the nutritional point of view, soy drinks contain less sugars and an equal amount of protein as plain milk, which makes them either as healthy as milk and lacto-free milk drinks. Regardless of these facts, soy drink is subject to the Sweets Tax.
- 17% of Finns are lactose-intolerant<sup>4</sup>, and soy drinks being naturally lactose-free fit perfectly in their daily diet.
- Soy products have a significantly smaller carbon footprint compared to dairy products. Producing plant-based foods consumes clearly less land, water and emits less CO<sub>2</sub>. More concretely, to make one litre of soy drink, three times less land and 2,5 times less water is used, and five times less carbon dioxide (CO<sub>2</sub>) is emitted than for one litre of cow's milk.<sup>5</sup>
- Since a Plant-based diet is generally low in saturated fats, contains more fibre and includes essential vitamins and minerals, consumers are advised to evolve a diet full of animal foods to 2/3 plant based and 1/3 animal foods. This benefits both

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<sup>2</sup> See The National Nutrition Council web site (news in Finnish) <http://www.ravitsemusneuvottelukunta.fi/portal/fi/ajankohtaista?bid=4006>

<sup>3</sup> Web site in Finnish <http://www.kasvikset.fi/WebRoot/1033640/Page.aspx?id=1048158>

<sup>4</sup> EFSA Panel on Dietetic Products, Nutrition and Allergies (NDA); Scientific Opinion on lactose thresholds in lactose intolerance and galactosaemia. EFSA Journal 2010;8(9):1777.

<sup>5</sup> Ecofys, University of Twente (2009,2012).

the people and the planet. The plant-based foods discussed in this paper are definitely a part of such more plant-based diet.

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### **About ENSA**

Established in January 2003, the ENSA represents the interests of natural soyfood manufacturers in Europe. The term “natural” refers to the production process used by ENSA members to produce food using whole soybeans. Soy food products from ENSA members are produced without any use of GM (genetically modified) material or GM beans.

ENSA is an association of internationally operating companies, ranging from large corporations to small, family-owned businesses, employing some 1500 people and realizing a combined annual turnover of more than € 0.6 billion. Since its establishment in 2003, ENSA has been raising awareness about the role of soy and a plant-based diet in moving towards more sustainable food production and consumption patterns.

For more information about ENSA, please visit [www.ensa-eu.org](http://www.ensa-eu.org) or contact the ENSA Secretariat.

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