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21 October 2025

HON. CIELO KRISEL B. LAGMAN

Albay, 1st District Representative

HON. KAKA J. BAG-AO

Dinagat Islands, Lone District Representative

HON. LEILA M. DE LIMA

Mamamayang Liberal (ML) Party-list Representative

Position Paper on the Proposed Excise Tax Increase on Sugar-Sweetened Beverages as filed under House Bill No. 5003 (20th Congress)

Dear Honorable Representatives Lagman, Bag-ao, and De Lima:

Greetings from the Joint Foreign Chambers of the Philippines (JFC)!

The Joint Foreign Chambers (JFC) is a coalition of the American, Canadian, European, Japanese, Korean chambers and PAMURI. We represent over 2,000 member companies engaged in over USD100 billion worth of multilateral trade and some USD30 billion of investments in the Philippines. The JFC supports and promotes open international trade, increased foreign investment, and improved conditions for business to benefit both the Philippines and the countries the JFC members represent.

Against this backdrop, the JFC has been a steadfast partner in advancing national nutrition objectives, including contributing to the fight against the triple burden of malnutrition. The JFC firmly believes that this multifaceted challenge cannot be resolved by government action alone; rather, it demands a comprehensive, multi-stakeholder approach that mobilizes all sectors of society in a coordinated and intentional effort. From this standpoint, the JFC underscores that sustainable solutions lie in the strengthening of healthcare systems, fortifying consumer education and public awareness, and science-based policy approaches—rather than through fiscal interventions as the primary tool.

In view of recent policy developments, the undersigned members of the JFC notes **House Bill No. 5003**, filed in Congress on 30 September 2025, which proposes amendments to the Tax Reform for Acceleration and Inclusion (TRAIN) Law that would **substantially increase excise taxes on sugar-sweetened beverages (SSBs)**. The bill, as filed, includes the following proposed adjustments:

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CURRENT PROVISION	PROPOSED CHANGES
PHP 12.00 per liter for SBs using high fructose corn syrup (HFCS)	PHP 40.00 per liter for SBs using high fructose corn syrup (HFCS)
PHP 6.00 per liter for SBs using caloric, non-caloric, or mixed sweeteners	PHP 20.00 per liter for SBs using caloric, non-caloric, or mixed sweeteners
N/A	PHP 6.00 per liter flavored milk, fermented milk, flavored non-dairy milk beverages
N/A	PHP 6.00 per liter on all sweetened coffee products

The table illustrates that the proposed measure seeks to increase the excise tax on various sugar-sweetened beverages by over 233% relative to existing fees. While the members support the overarching public health objectives of reducing obesity and preventing non-communicable diseases (NCDs), it is imperative to carefully evaluate whether such a substantial tax escalation constitutes the most **suitable** and effective solution.

Accordingly, the undersigned members of the Joint Foreign Chambers respectfully urges against the passage and continued pursuit of the bill, based on the following considerations:

I. The implementation of this tax measure in 2018 provides empirical insight, as it did not yield the anticipated improvements in public health outcomes. This calls into question the promised efficacy of the proposed increase under House Bill No. 5003.

- The Explanatory Note of House Bill No. 5003 cites data showing two key informations: 1) a decline in SSB sales of neighborhood retail stores (*sari-sari stores*), and 2) the amount of revenue collected over a five-year period since 2018. While these metrics provide insights into fiscal performance, they offer little evidence of tangible public health gains. **No conclusive data** have been presented linking the earlier measure to reductions in obesity, malnutrition, or non-communicable diseases (NCDs).
- Moreover, reduced purchasing of sugar-sweetened beverages does not necessarily equate to lower obesity rates or NCDs, as such conditions are influenced by multiple factors — including genetics, dietary diversity, and lack of physical activity.
- Another consideration this paper would like to emphasize is the fatal flaw of the existing SSB tax, which applies a uniform rate regardless of sugar content. This flat-rate mechanism has failed to establish a direct link between taxation and product reformulation or consumer behavior. In contrast, a tiered taxation model—structured to

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impose higher taxes on beverages with greater sugar content—could have better aligned fiscal policy with public health objectives. Although we do not support the proposed increase under House Bill No. 5003, this observation provides an opportunity to inform future legislative deliberations on more effective and equitable approaches to SSB taxation.

- Lastly, if as cited in the bill, the DOST-FNRI reported that the triple burden of malnutrition has worsened from 2018 to 2023, this only further proves the point of this paper that the earlier effort at taxing SSB was insufficient in addressing the complex determinants of public health. The JFC believes that such findings highlight the need for lawmakers to recalibrate their policy direction in order to prevent bills that will only prove to be insufficient in retrospect.

II. Socio-Economic Implications of the Proposed SSB Tax Expansion

- **Impact on the Value Chain, Consumer Purchasing Power, and Employment**
 - The proposed expansion of the SSB tax will have far-reaching effects across the entire value chain, from manufacturers and distributors to retailers and end consumers. Case studies indicate that similar tax measures have previously led to declines in sales, reduced income for small retailers, and lower overall consumption. This will trigger a ripple effect across the economy, leading to reduced consumer purchasing power, job losses among small enterprises unable to absorb higher costs, and the loss of livelihoods for affected households.
 - Following the implementation of the value-added tax (VAT) on sugar-sweetened beverages (SSBs) in 2018, beverage prices rose by 16.6% to 20.6%, resulting in an 8.7% decline in sari-sari store sales within the first month. Although sales later stabilized through smaller packaging and marketing adjustments, this underscores the sector's high sensitivity to price fluctuations, affecting all industry players, from big corporations to small enterprises
- **Disproportionate Burden on MSMEs and Low-income Households**
 - Micro, small, and medium enterprises (MSMEs), especially those in the beverage manufacturing, distribution, and retail sectors, will likely **bear the heaviest burden** from the proposed measure. As many households rely on these activities for their livelihoods, reduced consumer demand may lead to business closures and job losses across the informal sector.
 - With coffee mixes accounting for up to 25% of sari-sari store owners' daily income, further price increases would reduce consumer purchases and compress profit margins, directly eroding the earnings of over **1.3 million sari-sari store owners** and affecting their **7.2 million dependents**. These stores, generating around **₱861,000 to ₱1.12 million in annual sales**, play a

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crucial role in the informal economy and comprise about **8.3% of total informal employment** nationwide.

- Instant or 3-in-1 coffee, often regarded as the “*poor man’s drink*,” remains an affordable energy source for millions of workers and small business owners. Any price increase—whether due to inflation or new excise taxes—will disproportionately burden these consumers, limiting their access to basic sustenance and affecting their daily productivity.

III. The measure reflects a problem–solution mismatch, as it seeks to address a healthcare concern primarily through a revenue-oriented policy instrument.

- Evidence from both local and international studies suggests that SSB taxation alone has not significantly improved health outcomes. In February 2024, the congress’ own think tank, **Congressional Policy and Budget Research Department (CPBRD)**, reported that the existing SSB tax failed to curb consumption of unhealthy beverages, as consumers merely switched to cheaper alternatives.¹
- They further found that SSB taxes have only modest effects on public health and may lead consumers to substitute with other sugary or less healthy options. This indicates that fiscal measures alone are insufficient to achieve the intended nutritional objectives.
- Evaluations to date indicate that taxes on sugar-sweetened beverages (SSBs) result in only a minimal reduction in calorie intake, not surpassing 7% of the total daily intake.² Moreover, a recent meta-analysis found no significant evidence that SSB taxation leads to measurable decreases in Body Mass Index (BMI), with most available studies rated as low in methodological quality.
- Unlike tobacco and alcohol excise taxes, whose proceeds are legally earmarked for health programs, SSB tax revenues have not been transparently linked to the Universal Health Care (UHC) Fund. To date, the **Department of Finance (DOF) has not published any audit or budget statement demonstrating that SSB tax revenues directly supported improved health services**, access, or outcomes.

IV. International experience underscores that without strong implementation and complementary interventions, SSB taxes alone have not effectively improved public health outcomes.

- Various European countries adopting SSB taxes have often failed to achieve improving the health amongst its citizens. For instance, the United Kingdom implemented a soft drinks industry levy in 2018, however, its obesity rates have continued to be among the highest in Europe. A similar pattern is evident in Catalonia, where a soft drink tax was

¹ CPBRD. (2024). An Empirical Evaluation of the Sugar-Sweetened Beverage Tax and its Implications on Health Policy and Tax Revenues. House of Representatives, Philippines. Retrieved from: <https://cpbrd.congress.gov.ph/wp-content/uploads/2024/09/PB2024-04-An-Empirical-Evaluation-of-the-Sugar-Sweetened-Beverage-Tax-and-its-Implications-on-Health-Policy-and-Tax-Revenues.pdf>

² Centers for Disease Control and Prevention. Get the Facts: Added Sugars. Retrieved from: <https://www.cdc.gov/nutrition/php/data-research/added-sugars.html>

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introduced in 2017. Since that time, adult obesity rates have climbed from 14.9% in 2018 to 15.3% in 2023, while childhood obesity rates have increased even more sharply, rising from 10.6% to 13.7% over the same period, according to the latest Catalan Health Survey (ESCA).³

- In 2014, Mexico implemented a national tax strategy to fight obesity, including a one-peso-per-liter tax on sugary drinks. Despite the intent to reduce calorie consumption, the policy's effectiveness was largely undermined by consumer substitution toward untaxed products. The decrease in calories from the taxed sugary beverages was partly compensated by increased consumption of non-taxed drinks, and critically, the calorie reduction from taxed foods was actually more than offset (by about 30%) by greater purchases of non-taxed foods (NTFs). As a result, the national policy yielded only a small, statistically insignificant 0.3% overall reduction in total calories purchased per household. Further, this substitution was found detrimental to health, as people switched non-taxed foods to were found to contain higher levels of undesirable nutrients, resulting in an increase in cholesterol (12.6%), sodium (5.8%), and saturated fat (3.1%).⁴
- The Philippines currently lacks the institutional and economic readiness to implement additional excise measures of this nature. Structural challenges such as limited administrative capacity for tax collection, weak enforcement mechanisms, and insufficient safety nets for vulnerable groups make it difficult to ensure equitable and effective policy outcomes. Moreover, the absence of robust monitoring systems and impact assessments risks exacerbating inflationary pressures and disproportionately burdening low-income households and MSMEs. Without the necessary policy infrastructure and targeted mitigation programs, such measures may do more harm than good to both consumers and the broader economy.

V. It is essential to ensure policy coherence with the National Nutrition Goals and Food Fortification Strategies.

- **Alignment with National Nutrition Goals**
The **Philippine Plan of Action for Nutrition (PPAN) 2023 – 2028** emphasizes the importance of improving nutrient intake, reducing malnutrition, and ensuring access to affordable, nutrient-dense food and beverages. Taxing products that contribute essential nutrients such as milk-based and fortified beverages may conflict with these national priorities and inadvertently discourage their consumption.

³ NESDA. (2025). There is no evidence that taxation of soft drinks reduces obesity or non-communicable diseases (NCDs). Retrieved from:

<https://unesda.eu/there-is-no-evidence-that-taxation-of-soft-drinks-reduces-obesity-or-non-communicable-diseases-ncds>

⁴ Aguilar, A., Gutierrez, E., & Seira, E. (2021). The effectiveness of sin food taxes: Evidence from Mexico. *Journal of Health Economics*, 77, 102455. Retrieved from:

<https://www.sciencedirect.com/science/article/abs/pii/S0167629621000400>

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- **Potential Impact on Nutrient Intake**

Expanding excise taxation to include beverages containing protein, calcium, vitamins, and other essential nutrients may **reduce consumption among children and vulnerable populations who rely on these products** for part of their daily nutritional needs. This could undermine efforts to address persistent micronutrient deficiencies in the country.

- **Fortification as a More Sustainable Public Health Strategy**

Rather than expanding excise taxes across all beverage categories, the government can achieve greater long-term health benefits by **promoting product fortification and reformulation** in line with PPAN's call to reduce nutrient inadequacies. Strengthening incentives for fortification and innovation can complement fiscal policies aimed at improving public health.

- **Economic and Accessibility Considerations**

The imposition of additional excise taxes can lead to higher retail prices, disproportionately affecting lower-income consumers. It may also constrain access to affordable and nutritious beverage options, counteracting broader national goals to ensure food and nutrition security.

- **Evidence-Based and Targeted Policy Design**

The JFC advocates for a data-driven approach that distinguishes between high-sugar, low-nutrient products and those contributing positively to the Filipino diet. A more targeted framework guided by scientific evidence and dietary data would more effectively achieve the intended health objectives without penalizing nutrient-rich products.

In view of the foregoing, the Joint Foreign Chambers respectfully urges policymakers to adopt a more **evidence-based and inclusive approach** in addressing the country's nutrition and public health challenges. While the JFC fully supports the government's intent to promote healthier lifestyles and reduce the incidence of non-communicable diseases, fiscal instruments such as excise taxation on sugar-sweetened beverages have repeatedly demonstrated limited effectiveness and far-reaching unintended consequences.

The JFC reiterates that genuine and sustainable progress will be best achieved through comprehensive strategies—anchored on nutrition education, science-driven product reformulation, improved healthcare access, and stronger public-private collaboration. Encouraging **fortification, product innovation, and responsible reformulation** presents a more balanced and sustainable approach toward improving public health outcomes while supporting economic growth and consumer access to nutritious options. As such, the JFC respectfully recommends that Congress reconsider the proposed tax measure and instead prioritize integrated, data-informed, and socially equitable solutions that promote both public health and economic resilience.

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