

**Methodology and assumption on the proposed excise tax on sugar-sweetened
beverages (SSB)
as of 7 June 2017**

The data used in estimating the revenue impact of the proposed imposition of PhP10.00 excise tax per liter on SSB are (i) 2015 Euromonitor data on the volume of sales in liters of SSB brands in the Philippines, and (ii) suggested retail price (SRP) per packaging of different of SSB brands, obtained through supermarket survey conducted by DOF staff.

Elasticities used in the estimation are as follows: -0.77 for softdrinks (caffeine) estimated by DOF staff using multiple regression model in double-log form. While, -1.0 for non-caffeine brands based on an international study done by Andreyeva, et.al (2010). It is assumed that revenue collection will grow by 5 percent based on the average growth rate of SSB sales (in liters) from 2010 to 2015.

Since the volume of the surveyed SRP of each SSB brands is in milliliter, this should be converted to price per liter to be comparable with the 2015 Euromonitor data. To compute for the new selling price per liter of SSB products, first, compute for the base price per liter (or price per liter before the 12% Value added tax (VAT) of each SSB). Then apply the proposed excise tax rate of PhP10.00 to the computed base price per liter, and multiply the 12 percent VAT. With the new selling price per liter, compute the increase or change of price per liter from the old selling price.

Next is to determine the estimated 2018 volume of demand, by multiplying 2017 volume to the percent increase in price and corresponding elasticities.

To compute for the incremental revenue on excise and VAT, first, the proposed excise rate is applied to the estimated 2018 volume demand for each SSB product. Lastly, to compute for the incremental VAT collection, multiply the 12 percent VAT to the estimated revenue from the proposed excise tax.

