SPECIAL CONSUMPTION TAX ON SUGAR-SWEETENED BEVERAGES IN VIETNAM - THEORETICAL PERSPECTIVE AND INTERNATIONAL EXPERIENCE

Nguyen Thi Ngoc Chan[1, a], Nguyen Ngoc Anh[2, b], Tran Cam Nhung[3, c]

[1,2,3] Faculty of Economics and Law, Vinh Long University of Technology Education
[a]Email: Channtn@vlute.edu.vn
[b]Email: Anhnn@vlute.edu.vn
[c]Email: Nhungttc@vlute.edu.vn

Received: 22/12/2025; Reviewed: 10/3/2026; Accepted: 16/3/2026

ABSTRACT

The increasing consumption of sugar-sweetened beverages has emerged as a major public health challenge worldwide, including in Vietnam. In response to the growing prevalence of overweight, obesity, and diet-related non-communicable diseases, the National Assembly of Vietnam enacted the Special Consumption Tax Law No. 66/2025/QH15, formally including sugar-sweetened beverages within the scope of excise taxation. This article examines the scientific basis of this policy from the perspectives of welfare economics, consumer behavior, and international experience, thereby highlighting the rationale and justification for imposing excise taxes on sugar-sweetened beverages in Vietnam.

Keywords: *Special Consumption Tax; Sugar-Sweetened Beverages; Pigouvian Tax*

1. INTRODUCTION

The increasing consumption of sugar-sweetened beverages has become a serious challenge to global public health. According to the World Health Organization (WHO), the regular consumption of beverages with high sugar content increases the risk of overweight, obesity, type 2 diabetes, and other non-communicable diseases, while imposing a considerable burden on the healthcare system and society. [26], [27], [29]

In response to this situation, many countries have introduced taxes on sugar-sweetened beverages as an instrument to regulate consumer behavior and internalize the associated social costs. From the perspective of welfare economics, the special consumption tax is approached as a Pigouvian tax aimed at mitigating negative externalities associated with public health. [5], [21], [25]

In Vietnam, the consumption of sugar-sweetened beverages increased rapidly during the period from 2009 to 2023, rising from approximately 18.5 liters to 66 liters per capita per year [32], [33]. Against this backdrop, the National Assembly of Vietnam enacted the Special Consumption Tax Law No. 66/2025/QH15, formally including sugar-sweetened beverages within the scope of excise taxation. [2]

2. CONTENTS

2.1. Theoretical Foundation

2.1.1. Concept of the Special Consumption Tax

Special consumption tax (SCT) is an indirect tax levied directly on the production and importation of goods and the provision of services subject to the SCT. [3]

The determination of goods and services subject to the SCT depends on each country's socio-economic context, cultural practices, lifestyle, and income level. In essence, goods and services subject to the SCT are typically non-essential to social life, exhibit relatively price-inelastic but income-elastic demand, and require consumption to be controlled or restricted due to their adverse impacts on health, the environment, or social welfare. [4]

From a legal perspective, the SCT serves a consumption-guiding role through which the State intervenes in the market when its self-regulating mechanism fails to address negative externalities [5]. Although the freedom to conduct business is a constitutional right, such a right is not absolute and may be restricted on grounds of public health and social order [1]. The imposition of the SCT on sugar-sweetened beverages demonstrates the State's responsibility to safeguard the right to live in a safe environment and protect people's health as recommended by international health organizations. Consequently, the SCT constitutes an essential legal instrument for addressing the conflict between private profits and social costs while ensuring that the State's intervention in business rights is necessary and proportionate, thereby balancing the economic interests of enterprises with the public interest and maintaining the constitutionality and legality of tax policies. [1], [5], [26]

On that basis, sugar-sweetened beverages with sugar content exceeding the recommended level are appropriate to be subject to the SCT, contributing to regulating consumer behavior, mitigating health risks, and internalizing the associated social costs.

2.1.2. The Role of the Special Consumption Tax in Regulating Consumer Behavior

The special consumption tax is an instrument not only to generate revenue for the state budget but also to regulate consumer behavior by increasing the relative price of goods whose use is not encouraged, thereby directly affecting consumers' choices and orienting consumption in a way consistent with the overall interests of society. [3]

For products with adverse effects on public health, such as sugar-sweetened beverages, the role is evident in the increase in current consumption costs, compelling consumers to weigh short-term benefits against long-term health risks. At the same time, the SCT also brings economic pressure for producers to adjust their production and business strategies, including reformulating products to reduce sugar content [7], [15] and shifting towards healthier products.

Accordingly, the SCT serves as an instrument connecting fiscal policy to public health objectives, enabling the State to intervene in the market in cases where the price mechanism fails to fully reflect the social costs arising from consumer behavior.

2.1.3. Externalities and Pigouvian Tax

According to the welfare economics theory, an externality arises when the production or consumption activities of one party impose costs or confer benefits on others without those costs or benefits being fully reflected in market prices. In the case of sugar-sweetened beverages, their consumption generates negative externalities, as the adverse public health consequences are not only borne by individual consumers but also spread throughout society through healthcare costs and public budgets.

Specifically, consumers' private costs primarily include the purchase price of the product and short-term personal health risks. Meanwhile, social costs include expenditures associated with the treatment of non-communicable diseases, such as obesity, type 2 diabetes, and cardiovascular disease, reduced labor productivity, and the long-term financial burden on the public healthcare system and the state budgets. When these costs are not fully reflected in market prices, consumption exceeds the socially optimal level, resulting in market failure. [5]

To overcome market failure caused by negative externalities, Pigou proposed imposing a tax on goods or activities that cause such externalities, with the tax rate corresponding to the marginal social cost imposed by such behavior. The Pigouvian tax increases private costs, which narrows the gap between private and social costs and helps to adjust consumption toward the socially optimal level [5].

2.1.4. Price Elasticity of Demand and Tax Incidence

Price elasticity of demand reflects the responsiveness of quantity demanded to changes in price and plays a key role in assessing the regulatory effectiveness of tax policy. [6] In the imposition of the SCT, this indicator determines not only the capacity to regulate consumer behavior but also the distribution of the tax burden between consumers and producers.

According to microeconomic theory, when the demand for a good is highly elastic ($|Ed| > 1$), a tax-induced price increase leads to a significant decrease in consumption, while producers bear a larger share of the tax burden through lower profit margins. Conversely, when the demand for a good is inelastic, consumers bear most of the tax burden through higher prices, whereas consumption declines only modestly. [6], [18]

Therefore, the relationship between price elasticity of demand and tax incidence is of considerable importance in assessing whether the SCT can effectively achieve its objective of regulating consumer behavior, particularly with respect to goods that are harmful to public health. [13], [17]

2.2. Current Situation of Sugar-Sweetened Beverage Consumption in Vietnam

2.2.1. Rapid Growth in Sugar-Sweetened Beverage Consumption

In recent years, sugar-sweetened beverage consumption in Vietnam has increased sharply in both volume and prevalence, especially among adolescents and young adults, thereby heightening concerns among the health community and policymakers for long-term public health.

Total sugar-sweetened beverage consumption in Vietnam increased from 1.59 billion liters in 2009 to 6.67 billion liters in 2023, equivalent to an increase of approximately 420% over the past 14 years. On a per capita basis, annual consumption also rose sharply from approximately 18 liters per person in 2009 to 66 liters per person in 2023, an increase of approximately 350%, which reflects the rapid expansion of the market and a marked shift in consumers' habits. [32], [33]

Notably, surveys on sugar-sweetened beverage consumption habits in Vietnam indicate a high level of consumption among adolescents. According to the findings of the 2019 global school-based student health survey (GSHS) in Vietnam, nearly 34% of students aged 13-17 reported consuming carbonated beverages at least once per day, reflecting the widespread prevalence and deep penetration of these products into the daily lives and consumption habits of young people. [31]

In addition, reports by the Ministry of Health and WHO Vietnam show that the proportion of adolescents consuming sugar-sweetened beverages on a regular basis (from a few times per week to daily) remains at an alarming level, particularly in urban areas. [32]

This consumption trend is unlikely to decline in the foreseeable future. According to WHO estimates, in the absence of strong control measures, sugar-sweetened beverage consumption in Vietnam could continue to increase by approximately 6.4% per year through 2028, exacerbating the burden of health conditions related to an unhealthy diet, such as obesity, diabetes, and cardiovascular diseases. [27], [29]

This rapid increase can be attributed to a combination of factors, including the development of the sugar-sweetened beverage market, intensive advertising and promotional campaigns, relatively affordable prices compared to income levels, and changes in lifestyles and taste preferences of Vietnamese consumers. As a result, sweet, cold beverages have become more prevalent in modern life.

The consumption of sugar-sweetened beverages in Vietnam has been increasing dramatically over the past decade, contributing to the growing risk of non-communicable diseases related to lifestyle and nutrition. This situation underscores the need to review and

implement policy instruments such as the SCT to influence consumer behavior and protect public health.

2.2.2. The Impact of Sugar-Sweetened Beverage Consumption on Social Costs

The rapid increase in sugar-sweetened beverage consumption in Vietnam is closely linked to the outbreak of non-communicable diseases and the growing burden of health-related costs borne by society. According to reports by the World Health Organization and the Ministry of Health, from 2010 to 2020, the prevalence of overweight and obesity among children and adolescents aged 5-19 years increased sharply from 8.5% to 19.0%, while that among adults also rose substantially over the same period. This trend reflects profound changes in diet and lifestyle, in which sugar-sweetened beverages have increasingly become a regular source of energy intake. [31], [32]

In fact, sugar-sweetened beverages account for a substantial share of the total sugar intake of the Vietnamese population. According to an estimate by the Ministry of Health, each Vietnamese person consumes an average of approximately 18 g of sugar per day from sugar-sweetened beverages, equivalent to approximately 36% of the WHO-recommended maximum sugar intake (below 50 g/day). Importantly, this consumption is not evenly distributed across population groups but is highly concentrated among children and adolescents. The 2019 national study found that nearly 34% of students aged 13-17 drank carbonated beverages at least once per day [32], indicating that these products have penetrated deeply into the daily habits of Vietnamese youth.

The above-mentioned trends are associated with the increasing prevalence of lifestyle-related diseases such as obesity, type 2 diabetes, and cardiovascular diseases. According to a WHO report, the prevalence of obesity among adults in Vietnam increased from approximately 15.6% in 2015 to nearly 19.6% in 2020, while overweight and obesity among children surged over the past decade, particularly in urban areas. The increasingly early onset of non-communicable diseases not only compromises personal health but also increases the lifetime burden of disease throughout the working-age population. [29]

In terms of social costs, studies assessing the impact of the SCT on sugar-sweetened beverages in Vietnam show that the application of a reasonable tax rate could reduce the consumption of these products, thereby contributing to the reduction of the average body mass index (BMI) as well as the prevalence of overweight and obesity in the population. Reduced consumption of sugar-sweetened beverages lowers the risk of non-communicable diseases, such as type 2 diabetes and cardiovascular diseases, emphasizing the role of tax policy as an effective instrument for improving public health and easing the long-term healthcare burden. [9]

Policy-impact simulation studies in Vietnam indicate that the SCT on sugar-sweetened beverages has the potential to bring significant socio-economic benefits. Specifically, a modeling study for health impact assessment estimates that an appropriate tax policy can help reduce approximately 2.1% of the overweight rate and 1.5% of the obesity rate, prevent approximately 80,000 cases of type 2 diabetes, and save society nearly VND 800 billion in direct and indirect healthcare costs. [10] In the context of the growing burden of non-communicable diseases associated with sugar-sweetened beverages in Vietnam, these findings point to the considerable potential of the SCT in minimizing healthcare costs and enhancing social welfare. [32]

Thus, the consumption of sugar-sweetened beverages not only causes health consequences but also imposes substantial social costs**.** These costs include direct healthcare costs for long-term medical examination and treatment of non-communicable diseases, as well as indirect costs such as reduced labor productivity, lost working days, and a long-term reduction in the quality of the human resources. However, they are generally not fully reflected in the market

prices, leaving consumers to bear only the immediate costs while the long-term costs are borne by households, society, and the public healthcare system. In addition to health factors, sugar-sweetened beverages are categorized as non-essential goods, so the application of the SCT tax is also aimed at regulating consumer behavior and internalizing negative externalities arising from their consumption.

2.2.3. Demand Characteristics in the Sugar-Sweetened Beverage Market and the Potential Shifting of Tax Incidence

Price elasticity of demand is considered a key factor determining the capacity to regulate consumer behavior through price signals. Several empirical studies show that demand for sugar-sweetened beverages is relatively price-elastic, with coefficients ranging from -0.8 to -1.3, especially sensitive among adolescents, low-income populations, and urban residents. [13], [17], [21] This implies that an increase in prices is likely to result in a substantial reduction in sugar-sweetened beverage consumption, thereby possibly facilitating effective intervention through fiscal instruments such as taxation.

However, relatively elastic demand also increases the likelihood that consumers will switch to substitute products that are untaxed or that have a lower sugar content. Accordingly, the effectiveness of taxation in regulating consumer behavior depends on both the rate and scope of the tax and policy design to limit substitution behaviors that undermine the regulatory effectiveness.

In terms of tax incidence, the distribution of tax burden is not determined by the taxpayer in accordance with the law but by the relative price elasticities of supply and demand. In the sugar-sweetened beverage market, demand is often less elastic than supply in the short run, so much of the tax burden tends to be shifted onto consumers through higher selling prices. This shifting, however, serves as a necessary price signal to regulate consumer behavior, in line with internalizing negative externalities.

For producers, given the relatively high price elasticity of demand, shifting the entire tax burden to consumers can lead to a decline in sales volume and revenue. This provides an economic incentive to adjust their business strategies, including reformulating products to reduce sugar content. International practice demonstrates that taxation on sugar-sweetened beverages impacts demand and encourages the supply of healthier products, thereby enhancing the long-term effectiveness of the policy. [18]

For consumers and society, the SCT is theoretically regarded as regressive with respect to income. However, when the overall health and economic impacts are taken into account, this policy is progressive in terms of health. Studies by the World Bank (2020) and WHO (2022) indicated that the low-income group likely exhibited higher price elasticity of demand. This means that this group reduces consumption more strongly than the high-income group due to the tax-induced price increase. As a result, they will reduce the risk of diabetes and obesity most significantly. In the long run, the benefits to the low-income group from savings in healthcare costs and from avoiding income loss due to illness shall substantially outweigh the additional tax they pay. The SCT on sugar-sweetened beverages, therefore, contributes to protecting vulnerable groups from the burden of disease.

In Vietnam, with a young population structure and increasingly widespread consumption of sugar-sweetened beverages, the relatively elastic demand shows that the SCT under Law No. 66/2025/QH15 has the potential to make a significant impact on regulating consumer behavior. Nevertheless, with a proposed tax rate of 8% from 2027 and 10% from 2028, the reduction in sugar-sweetened beverage consumption is forecast to a certain extent, but the actual scale and impact depend on the market's response during implementation.

2.3. International Experience

In the context of a rising burden of non-communicable diseases linked to sugar-sweetened beverage consumption, many countries around the world have adopted taxes on these products as a fiscal policy instrument to modify consumer behavior and protect public health. According to the WHO, by 2022 at least 85 countries had implemented taxes on sugar-sweetened beverages, reflecting a global trend toward using taxation as an intervention tool against risk factors for non-communicable diseases. [29]

Mexico was among the pioneers in applying taxes on sugar-sweetened beverages. Since 2014, the country has introduced a SCT equivalent to approximately 10% of the retail price on sugar-sweetened beverages as part of its national strategy to combat obesity and diabetes. Empirical studies conducted following policy implementation found that sugar-sweetened beverage consumption declined by approximately 7–10%, while consumption of water and healthier beverage alternatives showed an upward trend. [7], [8] Beyond its direct effect on consumer behavior, Mexico's tax policy was reinforced by complementary measures including nutrition warning labeling and restrictions on advertising of unhealthy food and beverages, further strengthening the effectiveness of the policy intervention. [12]

In the United Kingdom, the sugar-sweetened beverage tax — officially designated the Soft Drinks Industry Levy (SDIL) — was introduced in 2016 with a primary objective of incentivizing manufacturers to reduce the sugar content of their products. The tax was structured on a tiered basis, with different tax rates corresponding to different sugar content levels, thereby creating strong economic incentives for product reformulation. Policy evaluations indicate that following the introduction of the SDIL, approximately 85–90% of soft drinks on the market were reformulated to reduce their sugar content in order to avoid the levy. [10], [15] By 2025, the UK Government further refined its policy by expanding the scope of taxation and lowering the taxable sugar threshold from 5g to 4.5g per 100ml, with a view to enhancing positive public health outcomes. [23], [24]

Beyond Mexico and the United Kingdom, numerous countries, including South Africa, Finland, France, Poland, Chile, and Saudi Arabia, have introduced various forms of taxes on sugar-sweetened beverages. These policies have been designed with considerable flexibility, encompassing fixed per-unit taxes as well as sugar-content-based levies, depending on each country's socioeconomic context, beverage market structure, and public health policy objectives. International research indicates that such measures have contributed to reductions in sugar-sweetened beverage consumption and have encouraged product reformulation toward healthier alternatives. [17], [21], [25]

Within the ASEAN region specifically, taxes on sugar-sweetened beverages have increasingly been employed as a key fiscal policy instrument to address the rapidly growing burden of non-communicable diseases. Several countries in the region adopted indirect taxes on sugar-sweetened beverages as early as the 2000s, most notably Cambodia and Laos. Meanwhile, larger economies such as Thailand, the Philippines, and Malaysia began implementing sugar-sweetened beverage taxes between 2017 and 2019, with tax designs placing progressively greater emphasis on the sugar content of products. These experiences reflect a broader regional trend within ASEAN toward using taxation to reshape consumption behavior while supporting the implementation of preventive health policies and improving long-term public health outcomes. [19], [20]

The effectiveness of these policies has been documented across multiple countries. Beyond reducing sugar-sweetened beverage consumption, SCT has driven industry to reformulate products to lower sugar content and offer consumers a wider range of healthier options. This represents a significant added value of tax policy, as it operates not only through the price mechanism but also influences the supply-and-demand dynamics of the beverage market.

However, international experience demonstrates that taxes on sugar-sweetened beverages are not a standalone policy instrument for controlling overweight and obesity. In a number of countries, overweight and obesity rates have continued to rise due to substitution toward high-calorie food products and persistent unhealthy dietary habits. Accordingly, many countries have implemented such taxes in conjunction with complementary measures such as nutrition communication and education campaigns, health warning labeling, and restrictions on advertising of high-sugar products.

In summary, international experience indicates that special consumption tax on sugar-sweetened beverages constitutes an effective policy instrument when appropriately designed in accordance with national conditions and implemented alongside other measures to support behavioral change and promote a healthy nutritional environment.

2.4. Legal regulations of Vietnam

Pursuant to the Special Consumption Tax Law No. 66/2025/QH15, which entered into force on January 01, 2026, beverages conforming to Vietnamese National Standards (VNS) with a sugar content exceeding 5g per 100ml are subject to SCT. [2] Specifically, Point l, Clause 1, Article 2 of the Law formally adds this product category to the list of taxable goods, thereby reflecting the policy intent to deploy the tax instrument to regulate consumption of products that pose potential risks to public health.

With respect to the tax method and applicable rates, the Law prescribes an ad valorem SCT structure implemented on a phased schedule, with a view to mitigating abrupt market disruptions. Accordingly, a tax rate of 8% will apply from January 01, 2027, rising to 10% from January 01, 2028. This phased approach is considered consistent with international best practice, while affording businesses adequate time to adjust their production strategies and reformulate products toward reduced sugar content.

In practice, at the time the Law was enacted, detailed implementing regulations specific to sugar-sweetened beverages had not yet been fully promulgated. In particular, no decree or subordinate legislation has specified the methodology for determining sugar content as the basis for SCT assessment, nor established mechanisms for inspection, monitoring, and enforcement in cases where discrepancies arise between a manufacturer's declared sugar content and actual laboratory test results. This regulatory gap may create practical difficulties for both tax authorities and businesses during implementation.

One of the key challenges arising concerns the measurement and determination of sugar content in beverage products. In practice, sugar content may be determined using different approaches, including the manufacturer's declared product standards, sample laboratory test results, or technical product documentation. However, each approach carries limitations in terms of testing costs, consistency of application, and the potential for disputes between regulatory authorities and taxpayers. Furthermore, the diverse range of sweetening ingredients used in beverage products — including cane sugar, glucose syrup, fructose, and blended sweeteners—adds further complexity to the accurate determination of taxable sugar content.

In addition, the application of the 5g per 100ml sugar threshold in accordance with national standards imposes considerable demands on market management and monitoring capacity. Given the scale and diversity of the Vietnamese beverage market, which encompasses numerous product categories and a substantial informal small-scale production and distribution sector, ensuring consistency and equity in the enforcement of SCT regulations on sugar-sweetened beverages represents a considerable administrative challenge.

Thus, while the Special Consumption Tax Law No. 66/2025/QH15 has established an initial legal framework for taxing sugar-sweetened beverages, the absence of detailed implementing regulations and the difficulties inherent in measuring and determining sugar content indicate

that the practical implementation of the policy will continue to face significant issues requiring clarification in subordinate legislation.

2.5. Lessons Learned

Drawing upon the international experience of implementing taxes on sugar-sweetened beverages, several important lessons can be identified for Vietnam as it designs and enforces its SCT policy with a view to protecting public health.

First, linking the tax design to sugar content is a key determinant of policy effectiveness in regulating consumption behavior. Experience from the United Kingdom, Thailand, and the Philippines demonstrates that tiered tax structures or tax rates directly tied to the sugar content of beverages exert a greater regulatory impact than flat taxes applied uniformly across product categories. This approach not only increases the prices of high-sugar beverages but also creates clear economic incentives for manufacturers to reformulate their products toward reduced sugar content. This is an important lesson for Vietnam, given that the 2025 Special Consumption Tax Law has taken an initial step in codifying the 5g per 100ml sugar threshold, while more detailed classification mechanisms will need to be developed going forward.

Second, a phased tax rate schedule helps mitigate policy shocks and enhance social acceptability. Many countries that have introduced sugar-sweetened beverage taxes have opted for a progressively increasing rate schedule rather than immediately imposing a high rate. This approach allows businesses time to adapt, adjust their production and distribution strategies, and help consumers gradually change their consumption habits. Vietnam's approach of setting an 8% SCT rate from 2027 increasing to 10% from 2028 reflects an appropriate adaptation of international experience in balancing public health objectives with market stability.

Third, SCT on sugar-sweetened beverages yields optimal effectiveness only when implemented in conjunction with complementary policy measures. Experience from Mexico, Chile, and France indicates that in the absence of accompanying measures — such as nutrition warning labeling, restrictions on advertising targeting children, and health education communication — the long-term impact of the tax will be limited. Conversely, when SCT is embedded within a comprehensive public health policy package, reductions in sugar-sweetened beverage consumption and improvements in public health outcomes become more substantial and sustainable.

Fourth, transparency and earmarking of tax revenues contribute to strengthening the policy's legitimacy. Several countries have linked revenues from sugar-sweetened beverage taxes to school health programs, community nutrition initiatives, or obesity prevention campaigns. When citizens observe that SCT revenues are being directly reallocated toward health objectives, public support for the policy is bolstered and adverse reactions to the new tax are mitigated.

Fifth, it is essential to establish evidence-based policy evaluation and adjustment mechanisms. International experience reveals that the effectiveness of SCT on sugar-sweetened beverages varies across countries and over time. Accordingly, developing a framework for systematic, periodic monitoring and evaluation of the tax's impact on consumption levels, industry behavior, and public health indicators is a prerequisite for appropriately calibrating tax rates, adjusting the scope of coverage, and refining supporting measures in line with practical realities.

Overall, these lessons suggest that SCT on sugar-sweetened beverages is a policy instrument with significant potential; however, its effectiveness depends considerably on the design, the implementation timeline, and the degree of coordination with other public health policies. These lessons provide valuable guidance for Vietnam as it continues to refine and strengthen the implementation of its tax policy in the period ahead.

2.6. Policy Implications

First, the legal framework and technical implementing guidance should be further strengthened. The Government should promptly promulgate a decree providing detailed guidance on the methodology for determining the sugar content of beverages, which may draw on manufacturers' declared conformity files or sample laboratory test results. Standardizing the methodology for sugar content determination will establish a transparent and consistent legal basis for SCT administration once the policy becomes effective in 2027.

Second, tax administration and enforcement should be strengthened to prevent tax avoidance and evasion. It is necessary to establish robust inter-agency coordination mechanisms between the Ministry of Finance and the Ministry of Health to monitor product reformulation strategies adopted by manufacturers to avoid tax liabilities. Concurrently, appropriate regulatory provisions should be developed for beverages containing alternative sweeteners, ensuring that formula adjustments do not undermine the public health objectives of the SCT policy. To facilitate voluntary compliance by enterprises, competent authorities should impose effective sanctions against tax avoidance and fraudulent practices, so that the provisions can achieve their intended effectiveness in practice.

Third, public communication should be intensified during the transitional period (2026). The year 2026 should be leveraged as a "buffer period" for rolling out national communication campaigns on the health risks of sugar-sweetened beverages and the rationale for the SCT. Helping consumers understand that the price increases from 2027 are intended primarily to protect public health, rather than a measure designed merely to raise fiscal revenue, will contribute to building social consensus around the policy.

Fourth, a robust policy monitoring and evaluation mechanism should be established. The planned 10% SCT rate from 2028 remains below the level recommended by many international organizations as necessary to produce substantial changes in consumer behavior. Accordingly, a mechanism for periodic policy effectiveness review should be established for the year 2030. If public health indicators — particularly obesity and non-communicable disease rates — fail to demonstrate appreciable improvement, the Government should consider advancing the tax increase schedule to higher levels (approximately 15–20%) in the subsequent policy phase.

Fifth, transparency and effective use of SCT revenues should be ensured. Revenues from SCT on sugar-sweetened beverages should be prioritized for financing school health programs, nutrition improvement initiatives, and community sports development. Directly linking tax revenues to health objectives will strengthen the legitimacy and sustainability of the SCT policy.

Sixth, businesses should regard the new SCT policy as an opportunity to restructure their product portfolios. Rather than focusing primarily on price competition, manufacturers should invest in research and development to reformulate products with sugar content below the taxable threshold, while simultaneously developing healthier alternative product lines. The United Kingdom's experience demonstrates that sugar reduction and product reformulation not only enable businesses to adapt to the SCT but also align with growing consumer demand for healthier and more sustainable options. Furthermore, businesses should embrace information transparency by proactively adopting front-of-pack nutrition warning labeling or clear disclosure of sugar content, thereby building a socially responsible brand image.

Seventh, consumer awareness should be raised. Efforts should be made to heighten public awareness of the health risks associated with excessive consumption of sugar-sweetened beverages through community health communication and education programs. Consumers should be encouraged to develop the habit of reading and interpreting nutrition labels, and to view pricing and SCT signals as health warnings for making healthier dietary choices. On this basis, consumers can proactively shift toward healthier alternatives such as bottled water,

natural fruit juices, or low-sugar beverages, thereby safeguarding the health of themselves and their families.

3. CONCLUSION

The rising consumption of sugar-sweetened beverages has emerged as a significant challenge for public health and the healthcare system in Vietnam. The addition of this product category to the special consumption tax under Law No. 66/2025/QH15 represents an important shift in tax policy thinking, oriented toward the goals of regulating consumption behavior and more comprehensive and sustainable public health protection, alongside the revenue-raising function of taxation.

From the perspective of welfare economics, SCT on sugar-sweetened beverages can be regarded as a form of Pigouvian tax aimed at internalizing the negative externalities arising from excessive sugar consumption, including long-term healthcare costs and fiscal burdens on the public budget. Price elasticity of demand analysis suggests that price increases transmitted through SCT have the potential to generate sufficiently strong market signals to modify consumer behavior, while simultaneously incentivizing manufacturers to reformulate their products toward reduced sugar content.

International experience underscores that the effectiveness of sugar-sweetened beverage taxes depends greatly on their design, implementation timeline, and the extent of coordination with other public health policies. Accordingly, to ensure that the policy delivers sustainable results, Vietnam must continue to strengthen the legal framework, enhance enforcement and monitoring mechanisms, and establish evidence-based policy evaluation and adjustment systems in the period ahead.

References

[1] 2013 Constitution

[2] 2025 Special Consumption Tax Law

[3] Nguyen Thi Thuy (2020), *Tax Law Textbook*, Hong Duc Publishing House – Vietnam Lawyers Association.

[4] Phan Huu Nghi (2020), *Tax Textbook*, National Economics University (NEU) Publishing House.

[5] Pigou, A. C. (1920), *The Economics of Welfare*, Macmillan, London.

[6] Rosen, H. S., & Gayer, T. (2021), *Public Finance (11th ed.)*, McGraw-Hill Education.

[7] Colchero, M.A., et al. (2017*), In Mexico, evidence of sustained consumer response two years after implementing a sugar-sweetened beverage tax*, Health Affairs*,* Vol. 36(3), pp. 564–571.

[8] Colchero, M.A., Molina, M., Guerrero-López, C.M. (2020), *After Mexico implemented a tax, purchases of sugar-sweetened beverages decreased and water increased*, Health Affairs, Vol. 39(11), pp. 1811–1820.

[9] Nguyen. D.T (2023), *Estimating the health impacts of sugar-sweetened beverage tax for informing policy decisions about the obesity burden in Vietnam*, PLoS one.

[10] Linda J Cobiac, et al (2025). *Population health and health sector cost impacts of the UK Soft Drinks Industry Levy: a modelling study*, National library of medicine

[11] Leibinger, Anna, et al (2025). *The impact of tiered soft drink taxes in Europe on mean sales-weighted sugar content of soft drinks: a quasi-experimental study*. BMC Public Health, 25(1), 2106

[12] Pedraza, Lilia S., et al (2019). The caloric and sugar content of beverages purchased at different store-types changed after the sugary drinks taxation in Mexico. *International Journal of Behavioral Nutrition and Physical Activity*, *16*(1), 103.

[13] Powell, L. M et al. (2013), *"Assessing the potential effectiveness of food and beverage taxes and subsidies for improving public health"*, American Journal of Public Health, 103(11), 205–211.
[14] Rogers, Nina Trivedy, et al (2025). *Changes in household purchasing of soft drinks following the UK soft drinks industry levy by household income and composition: controlled interrupted time series analysis, March 2014 to November 2019*. BMJ Nutrition, Prevention & Health, 8(1), e000981.
[15] Scarborough, P., et al. (2020), *Impact of the UK Soft Drinks Industry Levy on sugar content, price, and sales volume of soft drinks*, BMJ, 369:m169.
[16] Stiglitz, J. E., & Rosengard, J. K. (2015), *Economics of the Public Sector (4th ed.)*, W.W. Norton & Company.
[17] Teng, A.M., et al. (2019), *Impact of sugar-sweetened beverage taxes on purchases and dietary intake: systematic review*, Obesity Reviews, Vol. 20(9), pp. 1187–1204
[18] Varian, H. R. (2019), *Intermediate Microeconomics: A Modern Approach (9th ed.)*, W.W. Norton & Company.
[19] ASEAN (2022), *Framework for the Development and Implementation of Fiscal Measures on Sweet Beverages to Promote Health in ASEAN Member States.*
[20] Ministry of Health Malaysia. (2024). *Technical Report on the Impact and Effectiveness of Sugar-Sweetened Beverage Taxation in Malaysia*.
[21] International Monetary Fund (IMF) (2020), *Taxes on Sugar-Sweetened Beverages: International Experiences*.
[22] Pan American Health Organization (PAHO) (2021), *Front-of-package labeling and fiscal policies to reduce consumption of ultra-processed foods*.
[23] UK Department of Health and Social Care (2024), *Sugar reduction and reformulation programme: progress report*.
[24] UK Government – HM Treasury (2025), *Soft Drinks Industry Levy: policy update and technical consultation*.
[25] World Bank & Global Food Research Program (2020), *Taxes on Sugar-Sweetened Beverages: Summary of International Evidence and Experiences*.
[26] World Health Organization (2016), *Fiscal policies for diet and the prevention of noncommunicable diseases*.
[27] World Health Organization (2022), *Taxes on sugary drinks: Why do it?*
[28] World Health Organization Regional Office for Europe (2022), *Taxes on sweetened drinks: how to design them for maximum public health benefit*.
[29] World Health Organization (2023), *Global report on the use of sugar-sweetened beverage taxes*.
[30] https://www.oecd.org/content/dam/oecd/en/publications/reports/2013/12/the-role-of-fiscal-policies-in-health-promotion_g17a2438/5k3twr94kvzx-en.pdf, accessed December 14, 2025.
[31] https://iris.who.int/server/api/core/bitstreams/9253f953-b562-4c3e-946c-14f90cd9d2a5/content, accessed December 14, 2025.
[32] https://www.who.int/vietnam/news/commentaries/detail/world-health-organization--it-is-time-for-viet-nam-to-tax-sugary-drinks? Accessed December 15, 2025
[33] https://news.tuoitre.vn/sugary-drink-consumption-in-vietnam-soars-420-over-14-years-euromonitor-10382948.htm, accessed December 16, 2025.