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Strengthening the Soft Drinks Industry Levy

by the Chartered Institute of Taxation

1. About us

- 1.1. The CIOT is an educational charity, promoting education and study of the administration and practice of taxation. One of our key aims is to work for a better, more efficient, tax system for all affected by it – taxpayers, their advisers and the authorities. Our comments and recommendations on tax issues are made solely in order to achieve this aim; we are a non-party-political organisation.
- 1.2. The CIOT's work covers all aspects of taxation, including direct and indirect taxes and duties. Through our Low Incomes Tax Reform Group (LITRG), the CIOT has a particular focus on improving the tax system, including tax credits and benefits, for the unrepresented taxpayer.
- 1.3. The CIOT has over 20,000 members and we draw on their experience in private practice, commerce and industry, government and academia to improve tax administration and propose and explain how tax policy objectives can most effectively be achieved. We also link to, and draw on, similar leading professional tax bodies in other countries.
- 1.4. Our members have the practising title of 'Chartered Tax Adviser' and the designatory letters 'CTA', to represent the leading tax qualification.
- 1.5. Our stated objective for the tax systems include:
 - A legislative process that translates policy intentions into statute accurately and effectively, without unintended consequences.
 - Greater simplicity and clarity, so people can understand how much tax they should be paying and why.
 - Greater certainty, so businesses and individuals can plan ahead with confidence.
 - A fair balance between the powers of tax collectors and the rights of taxpayers (both represented and unrepresented).
 - Responsive and competent tax administration, with a minimum of bureaucracy.

2. Consultation Questions

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

- 2.2. As an apolitical organisation, the CIOT does not comment on the setting of tax rates, which is a decision for the UK government.
- 2.3. In the VAT legislation, cold milk-based drinks, irrespective of added sugar content, and which are not supplied in the course of catering and consumed on-premises, are categorised as ‘food’ rather than ‘beverages’, and hence fall within the zero-rating for VAT social policy purposes; the opening paragraph of Group 1, Schedule 8 to the VAT Act 1994, item (6) of the ‘items overriding the exceptions’, and note (6) of the same group refer.
- 2.4. Further, cocoa or coffee based flavouring to be added to milk to produce a flavoured milk drink are classified as ‘food’ so also zero-rated (Item 5 of ‘items overriding the exceptions, Group 1, Schedule 8 to the VAT Act 1994), whereas other flavourings for milk-based flavoured drinks are deemed to be ‘other products for the flavouring of beverages’ and hence standard rated (Item 4 of ‘excepted items’ Group 1, Schedule 8 to the VAT Act 1994). Paragraph 3.7.2 of HMRC’s guidance VAT notice 701/14 refers.
- 2.5. We note that the proposed removal of the exemption from Soft Drinks Industry Levy for milk-based drinks with added sugar would tax a product that is relieved from tax in one area of tax legislation (Group 1, Schedule 8 to the VAT Act 1994) but could become subject to tax in another. We anticipate that having two tax policies for the same product that result in tax relief for VAT and taxation for SDIL may cause confusion, which can increase the likelihood of errors.

3. Acknowledgement of submission

We would be grateful if you could acknowledge safe receipt of this submission, and ensure that the Chartered Institute of Taxation is included in the List of Respondents when any outcome of the consultation is published.

The Chartered Institute of Taxation
18 July 2025