

**Voluntary Report** – Voluntary - Public Distribution

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**Report Name:** Poland Taxes Soft Drinks\_Small Bottles of Alcohol\_Energy Drinks

**Country:** Poland

**Post:** Warsaw

**Report Category:** Beverages, Agriculture in the News, Sugar, Wine

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**Report Highlights:**

Polish President Andrzej Duda signed into law August 24, 2020, new taxes on beverages containing sugar or other sweeteners, small bottles of alcoholic beverages of up to 300 milliliters (ml), and energy drinks. The law will enter into force on January 1, 2021. Polish industry experts estimate that the new taxes will annually generate upwards of \$1 billion in revenue for the Government of Poland (GOP). The Polish Federation of Food Producers (PFFP) commented that the taxes will negatively affect the entire supply chain and may increase consumer prices by as much as 50 percent.

On January 1, 2021, the GOP will enforce a new tax regime on beverages containing sugar or other sweeteners, alcoholic beverages in 300 ml or smaller bottles, and energy drinks. Polish President Andrzej Duda signed the legislation on August 24, 2020. The legislation is presented as additional “fees” for sugary beverages to support better nutrition and more healthful lifestyles. Beverages will be taxed at 0.50 Polish zloty (PLN) (\$0.13) per liter, plus an additional PLN 0.10 (\$0.03) per liter for energy drinks containing caffeine or taurine. A variable tax of PLN 0.05 (\$0.01) will be applied to each gram of sugar over five grams per 100 ml per liter of beverage product. Critics of the law note the legislation gives exemptions many locally owned products (e.g. dairy beverages), which often contain higher levels of sugar than in popular carbonated beverages.

The act also introduces taxes on alcoholic beverages sold in bottles, up to 300 ml or less, known colloquially as “monkeys”. The taxes will apply to retailers selling these spirit and wine products intended for consumption outside of the retailer or point of sale. The proposed fee is PLN 25 (\$3.8) per liter of 100 percent alcohol sold in packages up to 300 ml. According to industry experts, the sale price of a “monkey” of vodka with 40 percent alcohol by volume will increase by PLN 1.0 (\$0.26) per 100 ml unit and PLN 2 (\$0.53) per 200 ml unit. Tax revenues generated from “monkey” sales will be equally divided between the local municipalities where products are sold and the National Health Fund.

#### **Background:**

The GOP first proposed the “sugar” and “monkey” taxes in December 2019 and aimed to pass the legislation in early 2020. Momentum was halted by COVID-19 and Poland’s presidential election in July. The legislation re-emerged suddenly in July 2020 among a broader package of COVID-19 relief regulations. Polish industry experts estimate that the new taxes will generate upwards of \$1 billion in new annual funding for the GOP.

#### **Polish Industry Comments:**

Andrzej Gantner, General Director and Vice-President of the PFFP emphasizes the beverage industry’s concerns. He noted in media reports, “Fee rates are completely inadequate to the Polish market and will cause serious problems for companies, as some of them will have to significantly increase the prices of their products. Some producers say they will raise prices by up to 50 percent. Some companies will not be able to do this because their market position will not allow them to do so. Companies also have other concerns about this act, mainly because this act contains a lot of legal and legislative errors, which we pointed out to the Ministry of Health, Parliament members and senators. And in fact, these errors are so serious that few people now know how much, for what and how to pay the fees. The problem is also that the legislator claims that it is a fee and therefore it is not a tax. But to interpret this law, to find out how to calculate these amounts and what should be counted in these amounts, you would need to get a tax interpretation, as an individual or a Company, from the tax offices. As long as it is a fee, companies are not able to obtain such an interpretation so they will actually charge this tax according to their own interpretation, which creates a risk, because if they calculate wrongly, they will not only pay a huge tax, but will pay an even greater penalty. Therefore, we encourage the Ministry of Finance to treat this fee as a tax. Then companies will be able to obtain a tax interpretation. Without this, many companies may face much more problems than those related to additional fees.”

The Committee for Budget, Wages and Social Benefits of the Social Dialogue Council and the Lewiatan Confederation, which represent Polish labor organizations and trade unions, were also publicly critical of the sugar taxes in the media. Their common position is that the government can counter obesity and

poor nutrition in other, more effective ways, noting "Social partners are open to the discussion on the promotion of a healthy lifestyle and rational nutrition, but we consider the draft act amending certain acts in connection with the promotion of pro-health consumer choices in a negative way." The President of the Association Entrepreneurs and Employers Cezary Kaźmierczak stated in media reports that the legislation focused its goals on revenue generation, and not promoting a healthy lifestyle and a balanced diet, stating, "The title of the project is misleading, because it suggests that it supports pro-health choices of consumers. Meanwhile, it is obvious that it is only about collecting a few additional billions of zlotys in budget revenues."

**Attachments:**

No Attachments.