



# Critical Discussions on the Upcoming Sugar-Sweetened Beverages Tax in Kuwait: A Qualitative Analysis

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**Abstract.** This study explores key stakeholders' perceptions and awareness of Kuwait's forthcoming Sugar-Sweetened Beverages (SSB) tax. Semi-structured interviews were conducted with thirteen government and industry participants. The data were analyzed using thematic analysis. The results revealed four key themes: (1) the motivation for imposing the SSB tax, (2) the process of the SSB tax design, (3) the challenges of tax implementation, and (4) the consequences of health-related taxes in Kuwait. In addition, the evidence from the data suggests that the Kuwaiti industry is confused about the reason behind the tax's introduction. Therefore, the government should be more transparent about tax implementation and its purpose. The study results provide important insights into industry and government views on the SSB tax, which contribute to the design of future SSB taxation in Kuwait.

**Keywords:** Sugar-Sweetened Beverages (SSB) Tax · Obesity · Qualitative analysis · Middle East · Kuwait

## 1 Introduction

In recent years, taxes on sugar-sweetened beverages (SSB) are rising worldwide in many countries to reduce the risk of obesity and generate public revenue (Jou and Techakehakij 2012), (Buhler et al. 2013), (Paarlberg et al. 2017). Following the global phenomenon, there has been an increased interest among the Gulf Cooperation Council (GCC) members, including Kuwait, to implement taxation. In this regard, the GCC Council agreement in 2015 approved legislation enacting a 100% tax on cigarettes and energy drinks and a 50% excise tax on SSB (Alsukait 2020). The reason defined by the council is to limit the use of substances that aid in obesity. At the same time, the GCC governments depend heavily on the revenues generated from the high oil prices. Thus, GCC countries are pursuing new approaches to diversify their economies, such as implementing the excise tax.

While the potential effects of SSB taxation have been widely discussed in many countries (Hagenaars et al. 2017; Ortega-Avila et al. 2018), few studies have examined

the effectiveness of the SSB tax in the GCC region (Alsukait 2020). This is important because variations in country-specific contexts of implementing the SSB tax could lead to uncertain results (Jou and Techakehakij 2012). Moreover, to our knowledge, research has yet to examine the perceptions of key stakeholders, including government officials and the beverages industry, regarding implementing the tax and its effects on decreasing SSB consumption in Kuwait. As a result, this paper aims to qualitatively explore: (i) the perceptions and awareness of the upcoming SSB tax among a sample of government officials and the beverages industry in Kuwait, and (ii) how taxation will affect the sales and consumption of SSB in Kuwait.

The current study has several contributions. First, it contributes significantly to the tax policy literature by exploring how the excise tax will affect the SSB industry. Second, it provides valuable insights for the global discussion on SSB tax and policy process design by identifying the challenges to implementation (Alsukait 2020). Lastly, Kuwait offers a critical case study because the forthcoming SSB tax will be among the highest in the world, and the country is characterized by a high level of beverage consumption and obesity (Jou and Techakehakij 2012).

This paper proceeds as follows. Section 2 describes the methodology used in this research. Section 3 discusses the findings, and finally, conclusions and policy recommendations are presented.

## 2 Methods

### 2.1 Research Design and Participants

Semi-structured interviews were conducted to examine how carbonated and energy drink taxes will be introduced and implemented in Kuwait. First, we identified the key players in enacting and carrying out the Kuwaiti tax using SSB tax policy literature and local newspaper coverage (Alsukait 2020). As an illustration, we located the Tax Authority Department under the Ministry of Finance as the implementing agency and communicated with the individuals mentioned in the newspaper outlining the tax implementation procedures. Then, we approached others at various organizations, including the Diabetes Division of the Ministry of Health, using a snowball sampling strategy. Also, we selected the manufacturers with the largest market share in Kuwait. The primary requirement for participant inclusion was working on or being impacted by the tax policy on carbonated and energy beverages. Finally, verbal informed approval was obtained and formally recorded for all participants.

Semi-structured interview guidelines were created for each major stakeholder category as part of the instrument development. All guidelines were created in accordance with the policy cycle stages, from setting the agenda to implementing and evaluating the policies (Moreland-Russell 2016). Also, following Alsukait's (2020) approach, the three topic areas are (1) the motivation for imposing the SSB tax (e.g., "In your opinion, what was the motivation behind the excise tax?"), (2) the SSB tax design process (e.g., "What alternative excise tax strategies did you consider if any?"); and (3) tax implementation challenges. The guidelines were pilot-tested by a local expert knowledgeable about the

carbonated and energy drink tax but had no direct involvement. In addition, minor wording changes were made to the guidelines to improve clarity in Kuwait's context. The guidelines were available in both Arabic and English.

## **2.2 Data Collection**

Thirteen interviews were conducted in Kuwait from January to December 2021, before the tax implementation. Five interviews with government officials and eight interviews from the beverages industry. Due to the COVID-19 pandemic restrictions, interviews were conducted online through Zoom meetings and lasted from 20 to 45 min. Most interviews took place in Arabic. The interviews were taped, verbatim transcribed, and anonymously submitted. For accuracy and credibility checks, all transcripts were compared to the recordings; minor corrections were made as needed. The process of gathering data and analyzing it happened concurrently. However, given the exploratory nature of our study, the number of interviews we conducted with this homogeneous sample of significant stakeholders was sufficient to get their perspectives on the upcoming SSB taxation and to achieve code saturation throughout the investigation (Hennink and Marconi 2017).

## **2.3 Data Analysis**

As discussed earlier, all interview meeting recordings were transcribed and recorded. Then, English translations of the Arabic transcripts were made for analysis. Based on the interview guides, a codebook was initially produced. Then, as the data revealed new codes, old codes were updated, and new codes were introduced in an iterative deductive coding process. Moreover, the codebook was reviewed based on the discussions of two transcripts. Finally, the key themes were compared within and across different stakeholder categories to draw consistent conclusions.

# **3 Results**

According to the results from key informant interviews, four main themes were identified that should be considered to design future interventions of the SSB taxation in Kuwait. The major topics are (1) the motivation for imposing the SSB tax, (2) the process of the SSB tax design, (3) the challenges of tax implementation, and (4) the consequences of health-related taxes in Kuwait.

## **3.1 The Motivation for Imposing the SSB Tax**

The purpose of the SSB excise taxes was unclear to the interviewees. In this regard, the government and health officials were asked about the factors impacting SSB taxation. All five respondents mentioned that tax motivation could be one factor that can impact Kuwait's tax implementation. There are different reasons behind the tax implementation, which include health and generating revenue. As one of the participants mentioned;

*“There are many reasons why a tax is applied. The excise tax has two main reasons. The first reason is to limit people’s consumption of unhealthy products and limit the levels of Obesity and health risks. The second reason is to generate new revenue means for the country. As you are aware, Kuwait is highly dependent on oil for revenue, and with the global direction to have clean emissions and to look to new means of power, we have to find a new means of revenue.”*

On the other hand, participants from the beverages industry were skeptical about the primary motive for implementing the SSB tax as one of the participants stated that;

*“If we take the reason from the Tax Authority, they claim that it is health-related, and I believe they mean well. However, a health-related tax should include all unhealthy products. Otherwise, the main reason is to generate more income for the government.”*

### **3.2 The Process of SSB Tax Design**

Concerning the timeline and key stakeholders for excise tax implementation in Kuwait, the decision to announce these excise taxes originated from the Supreme Council, the highest GCC decision-making body. The “GCC Excise Tax Agreement” was signed by all six member states in November 2016 as one of the participants said;

*“All the ministers of finance from the six GCC countries have met during the annual GCC meeting and have signed an agreement to introduce a 5% VAT tax and an excise tax of 50% on carbonated soft drinks and 100% on energy drinks and tobacco. There has been a pushback from the companies who will be taxed, and they have asked for aid from the government to offset the effect tax will have on their bottom line.”*

However, participants from the beverages industry stated that the timeline of implementing the SSB tax is not decided yet due to political instability, as one of the interviewees mentioned;

*“Kuwait is currently politically unstable with many changes in ministers and government officials. Without stability, it will not be easy to pass the tax legislation”*

When asked why the tax specified these various rates for energy-carbonated drinks, the participants expressed much doubt over the agreement on the tax rate of 50% for carbonates and 100% for energy drinks. Moreover, the interviewees suggested that the definition should include all the SSBs, as one of the participants said;

*“With obesity and diabetes at record levels, many public health experts believe that governments should tax SSBs, sweets, junk food, and other unhealthy foods and drinks. By swelling the prices of products that contain sugar, people will consume less of them and thus improve the overall status of nutrition and health.”*

### **3.3 The Challenges of Tax Implementation**

Regarding the challenges of SSB tax implementation, respondents showed great concern as different factors could affect the tax implementation in Kuwait, as one of the participants reported;

*“There are many reasons [to implement the SSB tax], and as I said before, the main reason is that the Tax Authority Department has not finished yet. Secondly, a law has to be passed through the parliament. Thirdly we are studying the GCC implementation to use our learnings to introduce a smooth and easy system to monitor the Tax implementation.”*

Moreover, there is high resistance from the public attitude towards implementing the SSB tax as they are not used to the tax system, as one of the participants mentioned;

*“There is resistance as with any person who feels that his money will be affected. It is like a salary deduction; the employee would feel distressed without understanding the benefits that outweigh the negatives.”*

Finally, the beverages industry will use different strategies to absorb the SSB tax and keep the business profitable. In that sense, the SSB tax’s effect on reducing sugary drink consumption will be less. The reaction of the beverages industry may offer different promotions, as one of the respondents said;

*“The best practices were given to us from other countries as well. Which sizes worked, and which packages did not work? Some items were discontinued, and some items were reintroduced. Other promotions were newly created as well.”*

### **3.4 The Consequences on Health-Related Taxes in Kuwait**

Considering employing taxes to achieve public health outcomes in Kuwait, the respondents mentioned that the health consequences could be one of the factors that can impact the tax implementation in Kuwait. As one of the participants said;

*“Kuwait is considered one of the leading countries with the highest levels of obesity in the region, if not the world. Moreover, the number one cause of diabetes after heredity is obesity and unbalanced nutrition.”*

However, participants from the beverage industry showed that SSB tax implementation would help significantly in contributing to better public health results, as one of the interviewees mentioned;

*“It is not right that you tax carbonated drinks with sugar and exclude chocolates, for example, or the cakes or anything else that has much sugar where kids eat them daily.”*

## **4 Discussion**

The present qualitative study explores the perception of government officials and the industry towards the imposition of an SSB tax in Kuwait, which is characterized by high levels of soft drink consumption and obesity. The study results provide important insights into the potential of SSB taxation to reduce obesity prevalence and economic diversification. While there is an underlying assumption that the GCC agreement on SSB tax is a health-related initiative, our findings suggest that most participants in our industry sample believe that the motivation is purely economic. Hence, the motivation for the SSB tax in Kuwait should be more salient to the beverages industry. As a result, more stakeholders, such as health organizations, should be involved in the initial tax design process related to SSB and unhealthy products in Kuwait (Craig et al. 2010).

It is apparent in our study that there was a complex interplay between factors affecting Kuwait’s SSB tax introduction. In this regard, the industry and government officials believe that the SSB tax implementation time is uncertain and may take longer than in other GCC countries. The perceived insufficiency of the tax policies and negative public attitude emerged as the main reasons why participants felt taxation would not be introduced soon. Therefore, Kuwait officials should pay more attention to improving the

tax-framing strategy (e.g., the size of the tax and product label) and educating the public about the reasons behind implementing the SSB tax (Barlow et al. 2018), Ortega-Avila 2018).

Considering that Kuwait is planning the first taxation design, the results show that the administrative feasibility may have limited the tax implementation. In this regard, all participants from the beverage industry agree that the tax should cover all sugary drinks. Otherwise, the health benefit could be diminished by replacing carbonates and energy drinks with sugary beverages like fruit juices. Moreover, the lack of a scientific justification for including or excluding particular drinks could undermine the long-term effectiveness of the SSB tax (Alsukait 2020).

Our findings also highlight that beverage manufacturers may employ different strategies in response to the SSB excise tax structure. These strategies may include absorbing the tax through renegotiating with retailers or introducing different pricing strategies by offering larger amounts to attract customers and remain profitable (Teng 2018), (Burman 2020). As a result, consumers will be less inclined to change their behaviors if prices do not rise as expected due to the tax, limiting possible health benefits (Ortega-Avila 2018 Alsukait 2020). Therefore, there should be continuous evaluation work to monitor the effectiveness of implanting the SSB tax and its potential impact on beverage sales and consumption.

## 5 Policy Recommendations

The SSB tax is a significant first step in promoting public health for Kuwait and the GCC countries. However, based on the study results, including all SSB in the tax design could increase the effectiveness of the tax design. Therefore, less substitution for other sugary drinks will be supplied. Simultaneously, this will incentivize the industry to develop a new formulation using less sugar content. As a result, the right message will be sent to the public as the purpose of the SSB tax is to provide better public health.

In addition, it is crucial having an evidence-based rationale for an SSB tax design to provide its sustainability and prevent industry resistance. Finally, our findings suggest considering other stakeholders, such as health professionals, in the decision-making process and educating the public. We hope policymakers will consider the above discussion during future SSB tax design to improve the effectiveness of the SSB tax in Kuwait.

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