

Beverage Industry in Thailand



By: Dr. Lackana Leelayouthayotin

Sept 1, 2020

Beverage industry situation

- ❑ Carbonated drinks, energy drinks, beers and spirits are now becoming saturated or declined
- ❑ Government issues many measurements to cut consumption of alcohols and beverages with high sugar content
- ❑ Low purchasing power due to Covid-19
- ❑ Non-carbonated drinks such as Vitamin drinks continue to gain momentum due to health conscious attitude of consumers

VUCA world

- ❑ **Volatility** Rate of Change is unpredictable
- ❑ **Uncertainty** Unclear about the present



- ❑ **Complexity** Multiple key decision factors
- ❑ **Ambiguity** Lack of clarity about meaning of an event
(unknown unknowns)



Choluteca Bridge

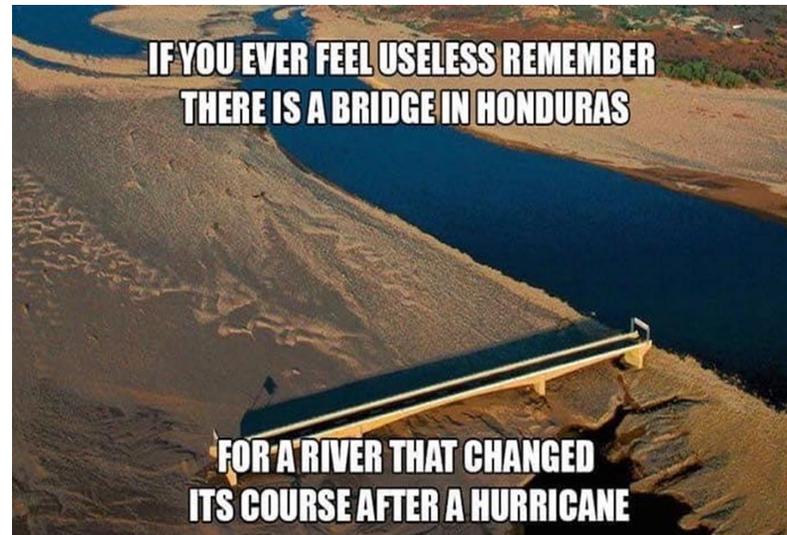
- ❖ **It is a suspension bridge located in the city of Choluteca, Honduras**
- ❖ **484 meters long**
- ❖ **It was built over the river of Choluteca to connect it to a new bypass road**
- ❖ **It was built by a Japanese firm with the latest technology to withstand nature's fury**



- ❖ **Herrricane Mitch hit Honduras and deposited 75 inches of rain in four days (equivalent to what they received in 6 months)**
- ❖ **The river flooded and more than 7000 people lost their lives**
- ❖ **The hurricane destroyed every thing except Choloteca bridge. The river changed course. It no longer flowed beneath the bridge but flowed beside the bridge**



- ❖ **The Choluteca bridge became a bridge to no where. It has become a metaphor for many lessons especially the situation of Covid-19.**
- ❖ **The Choluteca river caused a massive disruption by changing its course.**
- ❖ **A bridge over nothing. A bridge to nowhere**



“Build to Adapt” rather than “Build to Last”



Impact from Covid 19

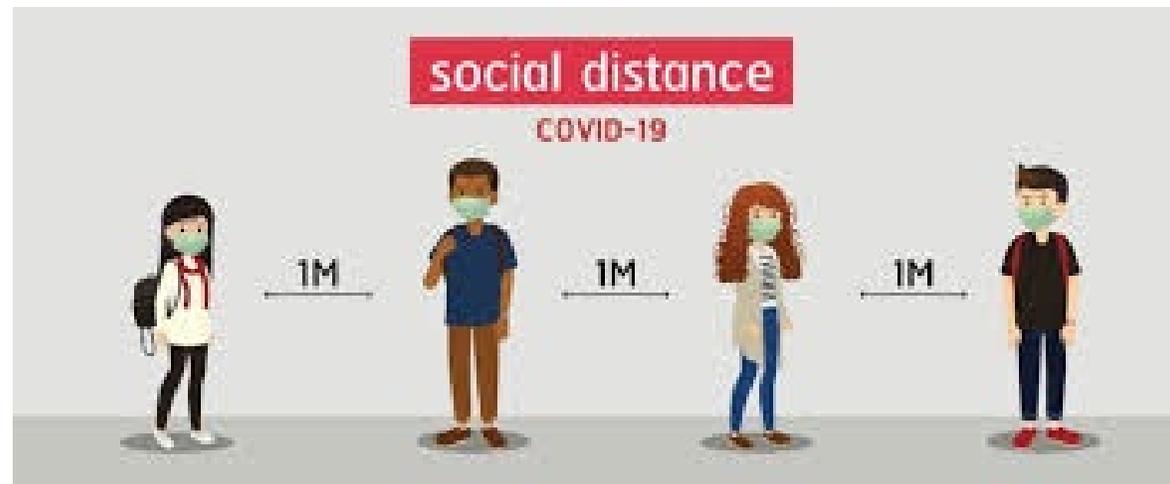
1. Financial impact

Most of businesses and people faced at least 25% income decreased. Normally Thai people were not have well plan savings. Therefore, they have to cut non-essential items, reduce their spending, etc.



2. Emotional Disturbance

People feel depressed due to the social lockdown and social distancing. People are very scare of catching the Covid virus.



3. Personal Hygiene

Thais are cautious about hygiene. 89% of Thai people use gel or handwash and 95% use mask.



4. Purchasing Power Drop

Thai people cut down and/or trade down items. They focus on the day-to-day items, less stocking and save cash.



Key strategies to survive after Covid

□ Touchless

We have to adapt our business model to serve them. Food court in Thailand do not leave fork and spoon for users but it will be sealed and packed them for individual usage in a plastic bag. Hygiene is become a key factor for consumers to buy or consume products. Products and services must meet this requirement



❑ **Cashless**

Try to avoid using cash. Mobile payment is becoming very important. More than 50 m of Thais use Internet and they spend more than 10 hours online. Mobile commerce is about half of total e-commerce and grew double digit every year.

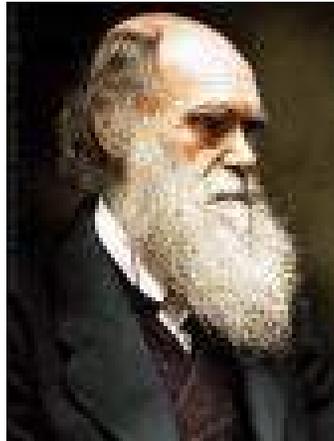


□selfless

People want to do something good for the society and be good for other people. CSR become part of the important strategy for the organization



It is not the strongest of the species that ***survive***,
nor the most intelligent
but the one most ***responsive to change***



Charles Darwin

New and Now!!



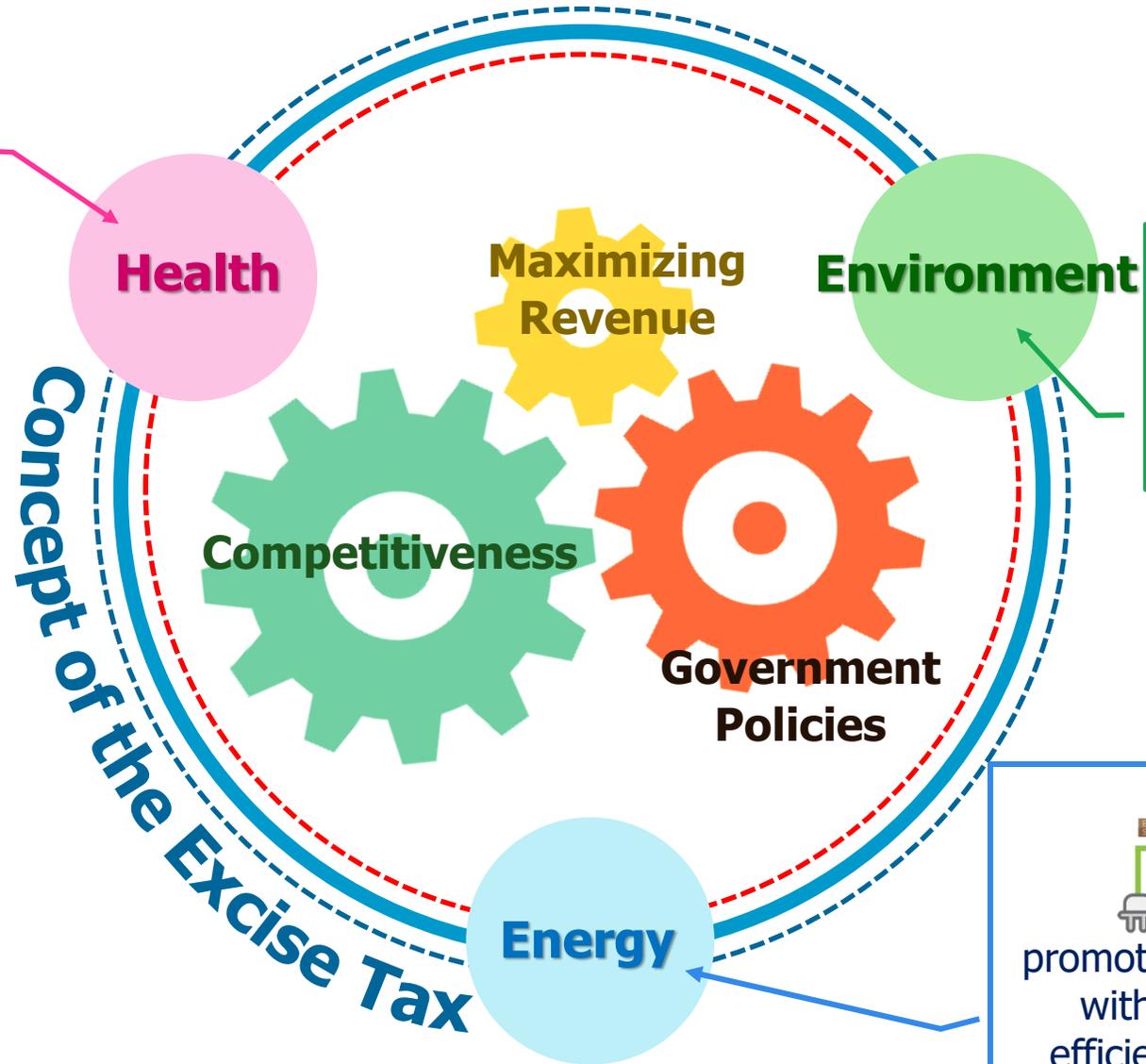
Policies & Regulations to Promote Functional Beverages Industry

Mr. Nutthakorn Utensute
Director of Tax Planning Bureau
Excise Department

The Purpose of Excise Tax



Limit consumption of goods or services which have health impacts (Sin and Health Tax)



promoting environmental friendly products (Green Tax)



promoting specific goods with energy usage efficiency (Green Tax)

Principle of Non-Alcoholic Beverages Excise Taxation in Thailand



 **Health Tax**
health concern

Present



sugar content



Soda



Carbonated Soft Drinks



**Energy/
Sport Drinks**



Juice



of suggested retail price

Past



Soda



Carbonated Soft Drinks



**Energy/
Sport Drinks**



Juice



**of ex-factory/
CIF price**



Luxury Tax
unnecessary for living

Taxation on Non-Alcoholic Beverages

Non-tax Policy

Raise awareness about sugar consumption

Change consumption habits (5-6 years)

Create cooperation between public and private sectors to suggest suitable sugar intake (Thai Pledge)

Provide a variety of healthy beverages

Tax Policy

Specific Tax: Health Concern
Ad Valorem: Luxury purpose

Use tax differentiate to change consumption habits

Consider effects on tax policy that can lead to consumption of substitution products

Specific Tax VS. Ad Valorem Tax

Tax Differentiate

Substitution Effect

Non-Alcoholic Beverages Tax Structure

 Item	Tax Structure According to Excise Act B.E. 2560				
	Ad valorem (Suggested Retail Price)	Sugar Content	Unit Tax Based on Sugar Contained		
			1 Oct 2019 to 30 Sept 2021	1 Oct.2021 to 30 Sept 2023	1 Oct 2023 onwards
%	gram/100 ml	Baht/Litre	Baht/Litre	Baht/Litre	
Soda	14	-	-	-	-
- Carbonated Soft Drinks - Sport Drinks - Energy Drinks	14	Not Over 6	0	0	0
Functional drink – water based	10	More than 6 Less than 8	0.10	0.30	1
Juice: General	10	More than 8 Less than 10	0.30	1	3
Juice: Exempted	0	More than 10 Less than 14	1	3	5
Functional drink – juice based	3	More than 14 Less than 18	3	5	5
Concentrated (used with beverage machine)	14	Over 18	5	5	5
Powdered & Concentrated	-				



Specific Tax on Non-Alcoholic Beverages (Sugar Tax)



Sugar Content (gram/100 ml.)

		Unit Tax Based on Sugar Contained (Baht/Litre)		
		1 Oct 2019 to 30 Sept 2021	1 Oct.2021 to 30 Sept 2023	1 Oct 2023 onwards
	0 - 6	0	0	0
	6 - 8	0.1	0.3	1
	8 - 10	0.3	1	3
	10 - 14	1	3	5
	14 - 18	3	5	
	> 18	5		

The higher the sugar content, the higher the tax.



Excise Tax Burden on SRP

	Total Excise Tax Burden (THB)		
	1 Oct 2019 - 30 Sep 2021	1 Oct 2021 - 30 Sep 2023	1 Oct 2023 onwards
Sugar Content 11 gram/100 ml.			
SRP (exclude VAT)	11.00	13.00	16.00
Unit Tax Based on Sugar Contained (baht/litre)	0.33	0.98	1.63
Ad varoem (14%)	1.54	1.82	2.24
Excise tax	1.87	2.80	3.87
Interior tax (10% of Excise tax)	0.19	0.28	0.39
Total Excise Tax Burden	2.06	3.08	4.26

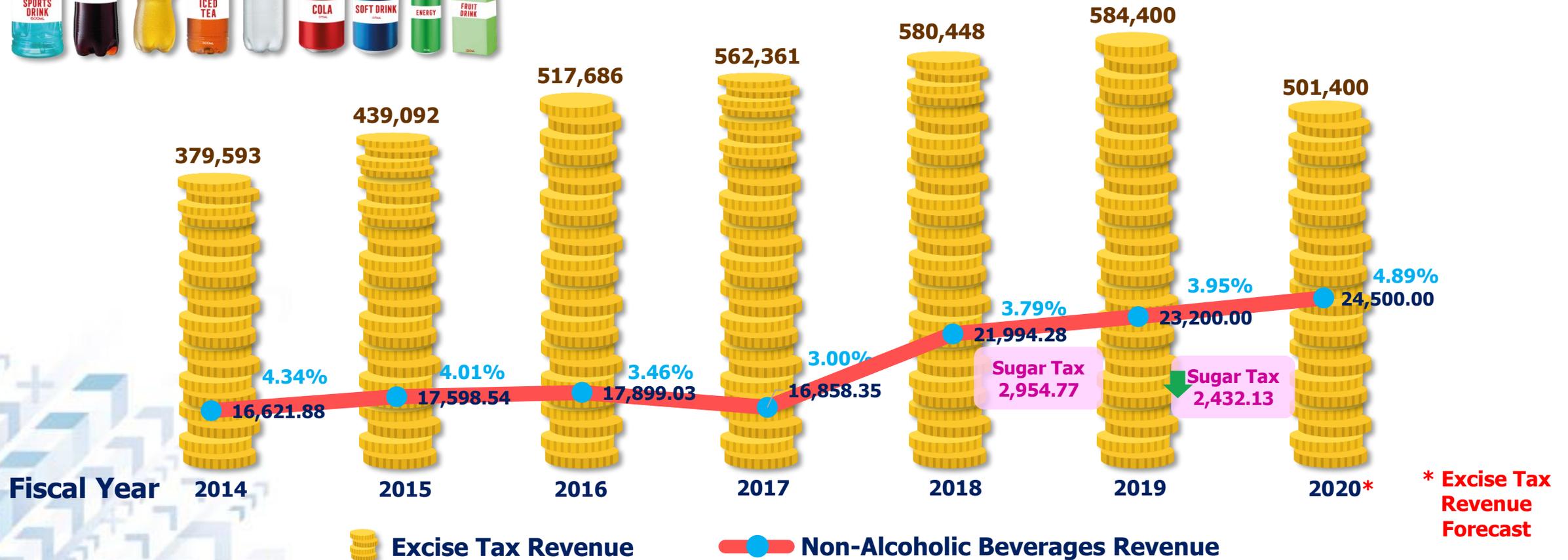




Non-Alcoholic Beverages Revenue Collection Fiscal Year 2014 - 2020

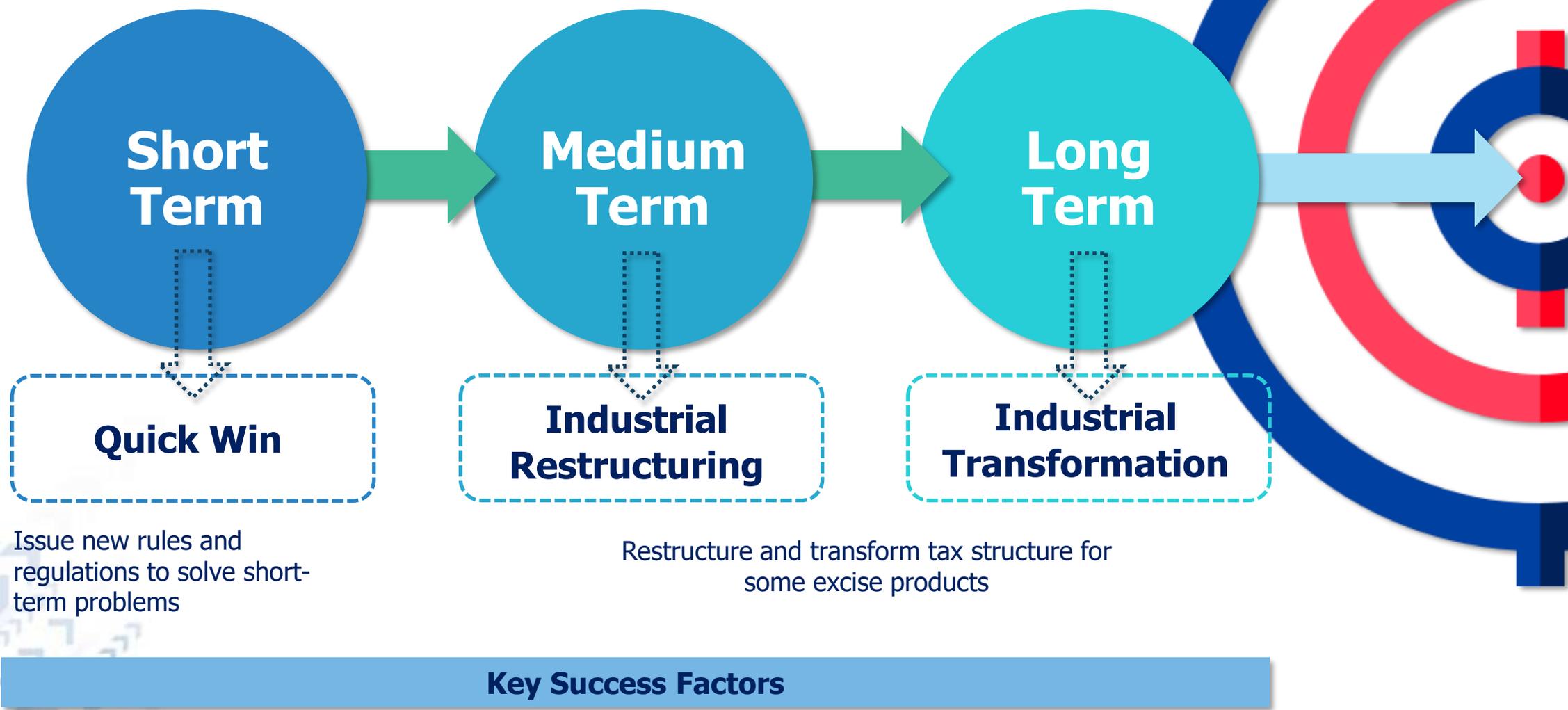


Million Baht





Excise Transformation After Covid-19



COVID-19 Excise Tax Relief Measures

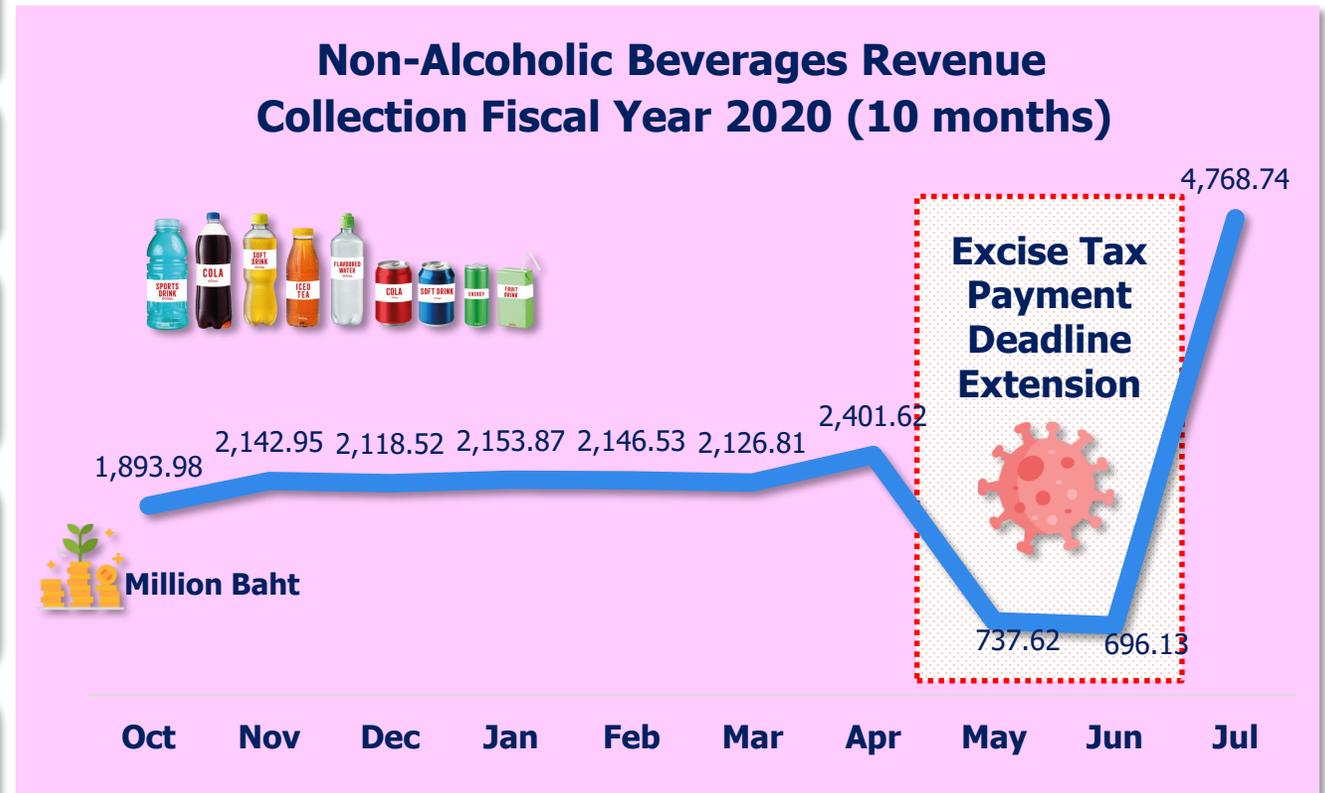
- Tax payment deadline extension (May – July)

- The ratio of fruit and vegetable juices containing nutrients or other substances is adjusted from 20 percent to 10 percent

- Service providers are encouraged to maintain employment in order to help employees. Service providers will be given the right to pay excise tax at the rate of 0 percent of service revenue until 30 September 2020

- The time to export goods or move goods to a free zone is changed to within 30 days with another 30-day extension, including a further 60-day extension, if necessary, but no more than 120 days in total

- The time to submit documents is changed to within 90 days, including a further 60-day extension, if necessary, but no more than 150 days in total



Key Features of Non-Tax Measures to Raise Public Awareness

- Promoting activities or campaigns to raise awareness and advocate for healthy dietary behaviors



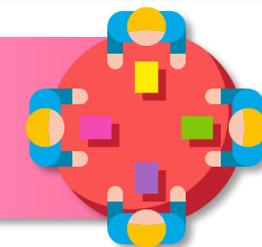
- Promoting Healthier Choice logo and food labelling education programs

- Increasing distribution channels for healthier products



- Promoting a nutrition education program designed to reduce sugar intake in school

- Cooperation between public and private sectors to increase the collaboration for tax and non-tax policy

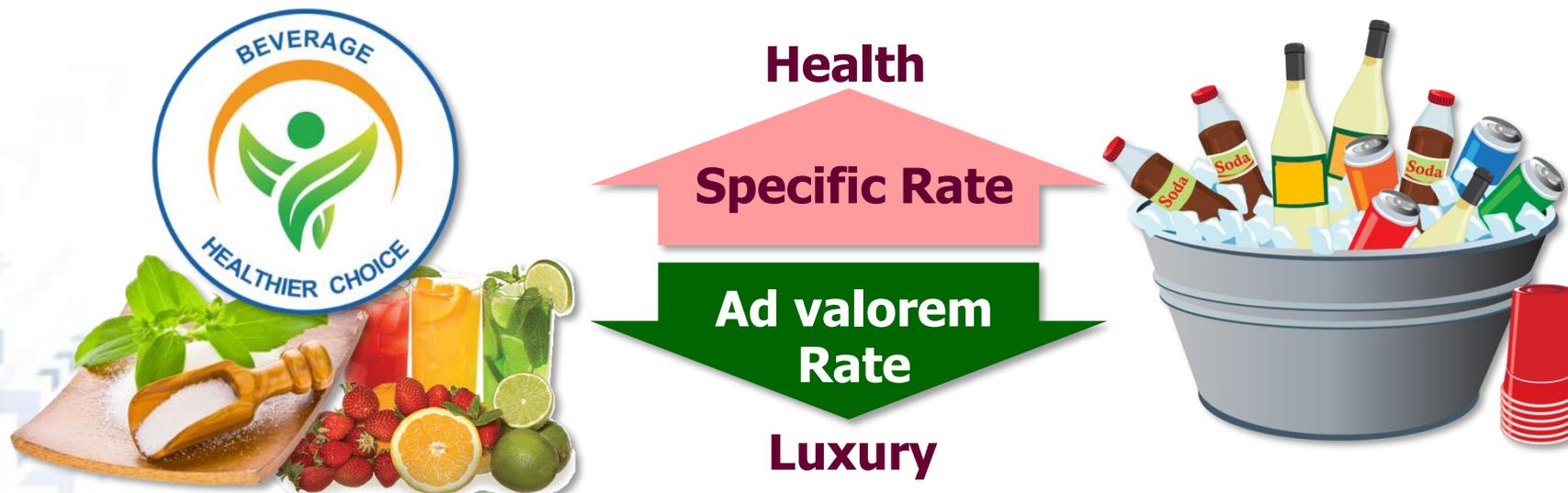


Future Direction of Non-Alcoholic Beverages Tax

Promote health awareness as a key of excise tax development and tax innovation

Encourage the beverage industry to reformulate their products according to the low sugar content

Make sugar-free drinks cheaper and increase more healthier products to the consumers





Key Success Factors of Non-Alcoholic Beverages Tax

Fairness

- Using “sugar contents” as a unit tax base for locally produced or imported sugar sweetened beverages to create fairness: the higher the sugar content, the higher the tax would be

Transparency

- “Guideline Daily Amount (GDA) Labeling” intending consumers to make healthier choice easier

Simplicity

- $(\text{Suggested Retail Price} \times \text{Ad valorem Tax Rate}) + \text{Sugar Tax Based on Sugar Content}$

Efficiency

- Encouraging manufacturers to reformulate to lower-sugar products and raising consumers awareness of the benefits of low sugar consumption



Thank you

