



HM Revenue
& Customs

Policy paper

Changes to the Soft Drinks Industry Levy — policy paper

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1. Introduction

The changes to the Soft Drinks Industry Levy (SDIL) are being developed in the following stages:

Consultation and response:

The [Strengthening the Soft Drinks Industry Levy consultation](https://www.gov.uk/government/consultations/strengthening-the-soft-drinks-industry-levy/strengthening-the-soft-drinks-industry-levy-consultation) (<https://www.gov.uk/government/consultations/strengthening-the-soft-drinks-industry-levy/strengthening-the-soft-drinks-industry-levy-consultation>) was published on 28 April 2025 and closed on 21 July 2025.

The [Strengthening the Soft Drinks Industry Levy — Summary of responses](https://www.gov.uk/government/consultations/strengthening-the-soft-drinks-industry-levy/outcome/strengthening-the-soft-drinks-industry-levy-summary-of-responses) (<https://www.gov.uk/government/consultations/strengthening-the-soft-drinks-industry-levy/outcome/strengthening-the-soft-drinks-industry-levy-summary-of-responses>) was published at Autumn Budget 2025.

Primary and secondary legislation:

The technical consultation on draft legislation opened on 13 July 2026 and will close on 6 September 2026 at 23:59.

The legislation will be included in the Finance Bill 2026 and enacted in the Finance Act 2027, amending Finance Act 2017 and Soft Drinks Industry Levy Regulations 2018.

The changes to the SDIL will have effect from 1 January 2028

2. Summary of this document

This document provides a summary of the changes to the SDIL as proposed in the SDIL consultation summary of responses and information on how these changes will operate in practice. The changes to both primary and

secondary SDIL legislation are set out in the technical consultation published on 13 July 2026.

The details in this document may be updated following the consultation and feedback from stakeholders. Final guidance on the changes will be published on GOV.UK ahead of the legislation taking effect.

More information about registration and reporting can be found in the existing guidance on GOV.UK. This existing guidance will continue to reflect the current sugar threshold and exemptions until these changes come into effect.

3. Summary of policy changes:

Lowering the threshold from 5g to 4.5g sugar per 100ml

The government is reducing the current lower threshold at which the SDIL applies from 5g of total sugar per 100ml to 4.5g of total sugar per 100ml. This will mean that packagers and importers of drinks containing 4.5g or more sugar per 100ml will be liable to register and pay the levy if a chargeable event in relation to these drinks occurs on or after 01 January 2028.

The government considers that lowering the threshold from 5g to 4.5g total sugar per 100ml, rather than 4g total sugar per 100ml as proposed in the consultation, strikes the appropriate balance between supporting health objectives and fostering conditions that allow the soft drink industry to continue to grow, innovate and invest.

The treatment of milk-based drinks

The government is removing the current exemption for milk-based drinks, introducing a tax incentive, for the producers of these drinks to reduce sugar in their recipes. This applies to pre-packaged milk-based drinks with added sugar, like bottled milkshakes and coffee drinks. 'Open cup' milkshakes prepared in cafés, bars, etc will remain out of scope; as will plain cow's milk, and other milk drinks without added sugar

(<https://www.legislation.gov.uk/ukpga/2017/10/section/29>)

The Scientific Advisory Committee on Nutrition (SACN) definition of free sugars (<https://www.gov.uk/government/publications/sacn-carbohydrates-and-health-report>) excludes naturally occurring lactose in milk and dairy products. In line with this approach and recognising that dietary advice is based on evidence of the harmful effects of high intakes of free sugars, the government will introduce a 'lactose allowance' for the naturally occurring sugars in milk.

The government has made changes to ensure that the vast majority of lactose present in a milk-based drink will be excluded from the 'total sugar' value when determining a drink's liability to the SDIL. The only exceptions to this will be lactose or galactose added as an ingredient, hydrolysed lactose, or lactose present in whey powder which will not be included in the lactose allowance.

The allowance will include lactose from liquid milk and other milk products such as milk powder. This means the focus when calculating a milk-based drink's liability to the levy is on the sugars added and not naturally occurring sugars in milk.

This approach recognises the presence of natural sugars in milk while keeping the incentive to reduce added sugar in milk-based drinks.

The treatment of milk substitute drinks

The government is removing the exemption for milk substitute drinks with added sugar (<https://www.legislation.gov.uk/ukpga/2017/10/section/29>) aligning their treatment to their dairy equivalents. This will bring plant-based milk substitute drinks with added sugar into scope of the SDIL, should they contain 4.5g or more total sugars per 100ml.

The government will exclude milk substitutes which contain sugars released only from their principal, or 'core' ingredient (such as soya, or oats) from scope, ensuring that unsweetened plant-based drinks continue to be out of scope, just as animal milks containing no added sugars are.

4. Milk-based drinks – detail of changes

Lactose allowance for milk-based drinks

From 1 January 2028, milk-based drinks with added sugar will be subject to the SDIL.

When working out whether a drink meets the levy's sugar thresholds, producers, packagers and importers should disregard lactose that occurs naturally in milk or milk products. But this does not include lactose that is:

- added as an ingredient
- in whey powder
- hydrolysed lactose

When determining liability to the levy, sugar that is added to the drink (which includes ingredients containing sugar), plus sugar from the sources listed above, counts towards the levy thresholds.

This means a producer, packager and importer of milk-based drinks might count what added sugars (including sugars from the sources listed above) are present in their product when considering if a drink is liable to the levy. This would be an acceptable method of calculating liability and the equivalent of taking total sugar content of a drink and deducting allowable lactose from the total sugar content of a drink. The amount of levy payable will depend on which band the resulting sugar content falls into, either:

- 4.5 to 7.9g per 100ml or
- 8g per 100ml or more.

The rates for each band are announced at budget each year and take effect from 1 April the following year.

Record keeping – lactose allowance

Evidence HMRC may request

HMRC will expect producers, packagers, and importers to be able to provide detailed information that shows how they have determined a product's liability to the levy.

Subject to review and feedback, HMRC are not currently planning to be prescriptive in legislation as to what precise form these records take. However, to support the application of the lactose allowance, HMRC may

ask producers, packagers or importers to provide one or more of the following:

1. Product formulation evidence

A full ingredient list or 'recipe sheet' showing the description and quantity (grams per 100ml) of:

- milk and milk-derived ingredients that are eligible for the lactose allowance
- any sugars added separately (including sugar, glucose syrups, fructose, honey or similar) including any ingredients treated as added sugar
- lactose free milk content (hydrolysed lactose)

2. Manufacturing and process information

Descriptions of the manufacturing process showing:

- whether lactose is introduced only through milk or milk-derived ingredients
- that lactose is not added as a separate ingredient
- supplier specifications for milk-based ingredients confirming their typical lactose content

3. Nutritional and analytical evidence

Nutrition declarations for the final product showing total sugars, together with evidence demonstrating whether these sugars derive from lactose in milk or from added sugars. This may include product labelling, where specific quantities of ingredients are listed; for example, where the label specifies that the product contains 80% milk.

Laboratory analyses showing the nutrient content of the final product where available, alongside an explanation of methodology and how results have been interpreted for SDIL purposes as it is not currently possible to analyse products in a laboratory to identify their free sugars content.

Evidence not available or insufficient

HMRC will consider all the evidence provided when assessing whether the lactose allowance has been applied correctly, on a case-by-case basis.

If HMRC considers the evidence unsatisfactory, insufficient, or if no evidence has been provided, HMRC may determine how the lactose allowance should apply using any method considered appropriate, which could include but is not limited to:

- A calculation from the known actual averages of the lactose and/or other sugars content of ingredients, using generally established and accepted data such as the UK Food Databanks or McCance and Widdowson's 'The Composition of Foods Integrated Data Set' (<https://www.gov.uk/government/publications/composition-of-foods-integrated-dataset-cofid>)
- Third-party expert analysis including laboratory testing

5. Scope boundary for milk-based drinks - drinking yoghurt

Exclusion of 'drinking yoghurt' from the scope of SDIL

'Drinking yoghurt' is defined as a drinkable product that meets the definition for yogurt contained in the Dairy UK's Code-of-Practice-for-the-Composition-and Labelling-of-Yogurt (<https://www.dairyuk.org/wp-content/uploads/2018/12/Code-of-Practice-for-the-Composition-and-Labelling-of-Yogurt.pdf>), prior to the addition of other ingredients, with no additional liquids (e.g. milk, fruit juice or water).

In order to support a practical approach to identify this type of product and exclude it from the scope of the levy, a 'drinking yoghurt' must contain at least 90% fermented milk (yoghurt) for the purposes of the SDIL and not contain any other liquids added for the purposes of making it more drinkable.

Milk-based drinks with less than 90% yoghurt are subject to the levy. Where necessary, and using the guidelines above, producers should be able to

demonstrate where a milk-based drink is out of scope of the SDIL.

6. Plant-based milk-substitute drinks – detail of changes

Plant-based ingredients

Provided a plant-based milk substitute drink only contains sugar from a single plant-based ingredient, it will be out of scope of SDIL.

If the drink contains sugars from two or more plant-based ingredients, then SDIL liability will be determined by reference to the drink's total sugar content.

This also applies if the drink contains an additional ingredient derived from the same plant, and that ingredient contributes sugar; for example, a rice syrup added to rice milk. This additional ingredient will be treated as an added sugar for the purposes of SDIL and will therefore bring the drink into scope of the levy.

Plant-based milk substitute drinks mixed with milk / milk-based drinks

Milk substitute drinks where the sugar comes from a single plant-based ingredient can be mixed with fruit juice or vegetable juice and remain outside of scope of the levy. This approach is consistent with the longstanding treatment of unsweetened animal milks, which can be mixed with fruit or vegetable juice without becoming subject to the SDIL.

However, if sugars from a milk substitute drink are added to plain milk, these sugars are considered to be added sugars, and the lactose allowance applies when determining the drink's liability.



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