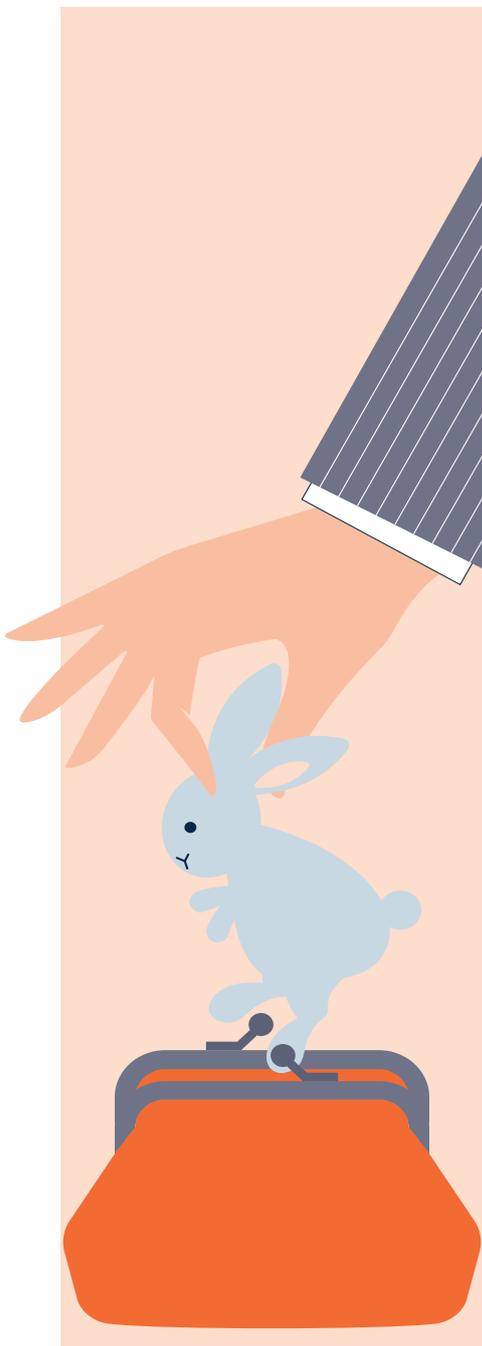


THE IMPACT OF THE “SUGAR TAX” on Research & Development Tax Credits.

We look into how the “sugar tax” has become a catalyst for a flurry of development activity within the food manufacturing industry, that would fall within the boundaries of the R&D tax relief scheme.



For a number of years now, rumours have abounded throughout the food & drink sector of a “sugar tax” being imposed across the UK following the Scientific Advisory Committee on Nutrition’s report on carbohydrates and health in 2015.

The “sugar tax” took a step closer when then Chancellor George Osborne, outlined the details of a tax on sugary drinks, introduced in 2018. The tax is levied in two bands adding 18-24p to a litre of pop with more than 5-8g sugar per 100 ml. Many food and drink companies have already responded, indicating that they are investing more significantly in low sugar alternatives to brand staples.

THIS RESPONSE, DEPENDING ON HOW IT IS HANDLED COULD RESULT IN MANY OF THESE COMPANIES BENEFITING FROM HMRC R&D TAX CREDITS.

Where is the sugar?

Main sources of sugar in an adult diet are soft drinks; table sugar and preserves; confectionery; fruit juice; alcoholic drinks; biscuits buns; cakes pastries and fruit pies; and breakfast cereals. Sugar reduction is important, as evidence shows that diets that are high in sugar can contribute to excess calorie intake, leading to weight gain and obesity. In turn, this may lead to developing health problems such as cardiovascular disease; type 2 diabetes; endometrial, breast and colon cancer.



Jumpstart, exceeded our expectations in every way. Their technical approach made a huge difference to the value of our claim, they did the bulk of the work and required limited input from us.

ANDREW MURPHY,
DIRECTOR
TROY FOODS LTD



Where are the challenges in reducing sugar content?

Simply reducing the sugar content within food and drinks offered to the consumer is not a straightforward procedure, as recent comparable measures to reduce salt intakes in food products demonstrate. Recipe reformulation is an immensely challenging task when there are specific target criteria that should be attained. Any reformulation work resulting in a product that is fundamentally different in respect of appearance, taste and texture will alter consumer experience and potentially impact detrimentally on brand loyalty and consumer demand. And here is the dilemma that food manufacturers face; How to meet the demands of emerging legislation/ legislative guidance and remain true to brand values and maintain consumer satisfaction

Replacement of free sugars with sweeteners, such as acesulfame K, aspartame, sucralose and saccharin, among others, may provide the target sweetness but provides no energy, texture and volume and these substitutes are often much sweeter than natural sugars.

Volume and texture can be provided through replacement with bulking agents, such as sugar alcohols, inulin and polydextrose, which can also act as humectants in confectionary, biscuits and pastry. However, these bulking agents are less sweet than free sugars with less energy content. In addition, several absorb heat when dissolved in the mouth. Other bulking agents, such as erythritol can act as a replacement to sugars to impart viscosity and mouthfeel and certain food additives, such as starch or pectin can increase the viscosity or thickness of foods such as jams, ice creams and salad dressing and also act as a preservative by inhibiting spoilage.

The role of sugar within product formulation can be sensory, physical, chemical or microbial. It imparts taste and sweetness, which is dependent on temperature, pH, concentration and the presence of other ingredients. Sugar can heighten or depress flavours. It can provide texture to ice cream, for example, by preventing lactose recrystallization through freezing point depression. It acts as a tenderiser in baking, for example, competing with other ingredients for water and delaying gluten development.





It was made apparent that there were no hidden extras, no heavy sales tactics and with such a straightforward process, they actually were going to deliver what they said they would. The only negative is that we should have done this sooner!

RONNIE MILES
FINANCE DIRECTOR
BELLS FOOD GROUP



The Impact on R&D tax credits.

It is clear that sugar is an ingredient with a complex role within product formulations, it provides sweetness, volume, mouthfeel and viscosity to food products and also has preservative properties impacting on product shelf life. Sugar is also responsible for the brown colour of many cooked foods. This browning process can occur through two processes; the first being the Maillard reaction, a non-enzymatic chemical reaction between an amino acid and a reducing sugar, usually involving heat, resulting in poorly characterised aroma and flavour molecules, determined by the reacting amino acid; and the second being caramelisation, the oxidation of sugar through the removal of water at temperatures between 110°C - 160°C, depending on the sugar involved, to result in a nutty flavour.

Can a comparable replacement ingredient or mixture of replacement ingredients be found to ensure that final product specification is unchanged, whilst reducing the calorific content of the product?

HERE LIES THE TECHNICAL UNCERTAINTY, AND THE CATALYST FOR A FLURRY OF DEVELOPMENT ACTIVITY WITHIN THE INDUSTRY THAT FALLS WITHIN THE BOUNDARIES OF THE R&D TAX RELIEF SCHEME.

Jumpstart can help

Jumpstart is a leading R&D tax relief specialist, guiding companies through the complexities of submitting claims to HMRC. Our technical analysts have specific scientific and technical backgrounds and years of industrial experience which have resulted in an extremely high success rate in securing R&D tax relief for our clients.

For a free R&D tax credit consultation and analysis of the potential returns you might expect from your projects, contact the Jumpstart team

There is no substitute for experience and expertise. Experience gained through years of daily involvement in putting together thousands of successful R&D tax claims. Expertise built through a detailed programme of training and study, maintained and regularly enhanced.

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