

# Health Taxes: A Compelling Policy for the Crises of Today

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Background Materials: Abstracts



## Health Taxes in the Polycrisis Era

Prepared for the Task Force on Fiscal Policy for Health, 2024

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In 2019, the high level Task Force on Fiscal Policy for Health concluded that taxes on tobacco, alcohol, and sugar-sweetened beverages (SSBs) were a highly effective but greatly underutilized policy tool to reduce consumption, save lives, and raise domestic resources. The Task Force estimated that, if all countries increased their excise taxes to raise prices by 50 percent, over 50 million premature deaths could be averted worldwide over the next 50 years while raising over US\$20 trillion of additional revenue. Since the Task Force report was launched, the world has experienced a “polycrisis”, including a global pandemic, an economic recession, and the outbreak of wars in Europe and the Middle East. Within this broader context, the world has also entered prolonged health and fiscal crises. Health systems remain weakened by the COVID-19 pandemic, and lack sufficient health financing to rebuild, nor adequately respond to the surging NCD epidemic caused by uncontrolled risk factors such as tobacco, alcohol, and sugar consumption. Opportunities to raise domestic resources are limited, and debt burdens are further reducing fiscal space.

The period from 2019 to 2027 may become a “lost decade” for health and social policies, with 110 countries facing little prospect of any ability to raise government revenues beyond current levels. In this paper we describe the current health crises and fiscal crises and review the contribution health taxes could make to turning around this dire situation. We conclude that taxes on tobacco, alcohol, and sugar-sweetened beverages (SSBs) are an ideal policy solution - good for the budget and good for health. These taxes are relatively quick to implement, and, unlike other taxes, do not put economic growth at risk, a vital benefit in the current era.

# Using Fiscal Policy to Promote Health: A Five-Year Update on Taxing Tobacco, Alcohol and Sugar-Sweetened Beverages

Prepared for the Task Force on Fiscal Policy for Health, 2024

By Jeffrey Drope<sup>1</sup> and Lisa M. Powell<sup>2</sup>

This narrative review examines key research from 2018 to early 2024 that addresses the taxation of unhealthy products, specifically tobacco, alcohol, and sugar-sweetened beverages (SSBs). It begins with a brief review of recent trends in consumption of these products, examines trends in relevant tax policies, reviews evidence on the impact of these taxes on prices, demand and health outcomes and ends with a discussion of the most recent research on industry counterarguments to implementing and raising taxes.

Consumption trends are uneven for tobacco: while some countries show declines, worrisome upward trends, particularly for youth, remain in some regions/countries. Alcohol and SSBs show more consistent upward consumption trends, globally. Progress on taxation for tobacco and alcohol has been uneven recently. Though tobacco taxation has a much higher starting point than for the other two products, much of the modest progress in the 2010s has stalled in most countries. Across countries with excise taxes on cigarettes, the average tax share of cigarette retail price was 42 percent in 2022, scarcely higher than the 41.4 percent in 2020, and far below the World Health Organization benchmark of 70 percent. The result is 87 percent of smokers live in countries where cigarettes were equally or more affordable in 2022 than in 2016. Alcohol

taxes comprise a much lower share of price compared to tobacco and have shown scant improvement across most countries in the last decade – indeed, the number of countries reporting the use of alcohol excise taxes is decreasing. While there has been a substantial increase in the number of countries with SSB taxes since 2018, SSB taxes as a share of prices is, on average, very low, at only 18.4 percent. By contrast, evidence from the US suggests SSB taxes should increase prices by at least 40%. For each of these products, failure to regularly increase tax rates – at a minimum, in line with inflation – is leading to an erosion of impact.

Research on demand is unequivocal for all three products: consumer demand is significantly responsive to price. This implies that taxes are an excellent tool for decreasing demand. The evidence that higher taxes on these products improve a wide variety of health outcomes continues to build. Similarly, there is mounting evidence showing that 1) higher taxes on unhealthy goods are progressive at a population level; 2) health taxes scarcely negatively affect overall employment, if at all; and 3) illicit trade does not undermine the overall goals of these taxes, is generally much smaller than these industries claim, and can be successfully mitigated by improved tax administration including enhanced enforcement.

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## Taxing Ultra-Processed Foods or Foods High in Fat, Sodium, or Sugar

Prepared for the Task Force on Fiscal Policy for Health, 2024  
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Health taxes on alcohol and tobacco have been ongoing across the globe for several decades, with the past decade also seeing an increase in the implementation of sugar-sweetened beverage taxes. In recent years there has also been increasing attention focused on a segment of foods referred to as ultra-processed foods (UPFs), most frequently identified by their key nutrient markers of being high in saturated fats, sugar and sodium (HFSS). The factsheet “Ultra-Processed Foods: A Global Threat to Public Health” provides an evidence-based overview of why UPFs specifically should be the targets for tax policies (among other policies) given their harm to humans and the planet. Trends in population and income growth, urbanization, and changing workforce structures mean that low- and middle-income countries (LMICs) are emerging and important markets for UPF companies. Thus, meaningful excise taxes on UPF or HFSS products are policy levers that may be used to shift relative prices and demand, as well as encourage industry reformulation. Over time, such taxes may result in beneficial, progressive health impacts while raising revenue but are often argued by opponents as being income regressive. There are 23 countries (21 active) that have implemented excise taxes on UPF/HFSS

food categories to date. However, there are only 3 countries with robust peer-review evaluations conducted, so there are gaps in our understanding of the various short- and long-term impacts of UPF/HFSS excise taxes on tax pass-through, demand, and health outcomes. While there are a growing number of simulation studies, even demand models or reduced form models on health outcomes are limited because UPFs are not well- or uniformly defined. Nonetheless, the limited evidence on excise taxes on UPF/HFSS categories to date shows that they can reduce UPF/HFSS purchases and consumption – but tax type, tax levels and the included tax base could be improved. Additionally, this background paper pulls together available information on revenues generated to show that UPF/HFSS food tax revenues implemented in Hungary and Mexico range from 0.4 to 0.12% of GDP, while hypothetical UPF/HFSS food taxes resulting in 8-10% price increases among taxed products in the United States and Chile may generate revenues ranging from 0.024% to 0.096% of GDP. These tax revenues could be used to improve access to and reduce the costs of healthier food which would complement the health impacts of a tax and enhance population health equity.

# Global Effects of Increased Taxation of Tobacco, Alcohol, and Sugar-Sweetened Beverages on Tax Receipts: A Modelling Analysis

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By Amit Summan and Ramanan Laxminarayan, One Health Trust

The taxation of harmful commodities including tobacco, alcohol, and sugar-sweetened beverages (SSBs) can decrease an avertable health burden while generating tax revenues to fund key government programs. These underutilized tools are particularly useful in the current environment of tight fiscal space globally.

We simulated the economic effects of taxing cigarettes, alcohol, and SSBs over a five-year period employing mathematical models using global economic and consumption data. A 20% and 50% price increase were simulated. Price and tax data were imputed with region-income group averages for countries that were missing data. Economic effects for tobacco, alcohol, and SSBs were estimated for countries representing 91%, 92%, and 99% of the global population, respectively, after imputing missing price and tax data. These estimates were extrapolated to the global level by matching countries according to income level and region.

We find that taxes that raise the retail price of tobacco, alcoholic beverages, and SSBs by 20% could result in global additional tax revenues of \$97.54 (95% uncertainty interval [UI]: \$87.49 to \$107.57) billion, \$250.52 (95% UI: \$230.91 to \$270.13) billion, and \$83.1 (95% UI: \$69.0 to \$97.1) billion annually, respectively. As a percentage of health expenditure, the South Asia region generates the most revenue for tobacco and

alcohol, and the sub-Saharan Africa region generates the most revenue for SSB taxation. By income level, lower-income countries generate more tax revenue as a proportion of their health spending. We conclude that excise tax increases on tobacco, alcohol, and SSBs can raise substantial government revenues, which could be used to increase public health and social spending. Taxation of related goods including junk food and e-cigarettes should be explored in the future.



