SAVING LIVES AND MOBILIZING REVENUE

A parliamentary action guide to health taxes
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What are health taxes and why do they matter?

An estimated 41 million people worldwide died of preventable noncommunicable diseases (NCDs) in 2019 which include diabetes, obesity, and cancer. (1) Often, these diseases are caused by harmful products, such as alcohol, tobacco, and sugar-sweetened beverages (SSBs).

Reducing consumption of these products would improve health and save lives – and taxing these could also generate additional revenue.

An increasingly popular approach to reducing NCDs is through health taxes, which are designed to reduce the consumption of products which have a negative public health impact.

Together with other programmes that address unhealthy consumption, such as advertising bans for harmful products, health taxes can not only save lives but reduce addictions, and improve the health of young people and the poor, contributing to public health – and the public purse.

Health taxes have been proven to work

France reduced its deaths from lung cancer by raising tobacco taxes. (2) China, Hong Kong SAR significantly lowered alcohol mortality by taxing alcohol in 1994. In Portugal, the imposition of a tax on sugar-sweetened beverages encouraged many companies to radically reduce the amount of sugar in their products and the sales of sugary drinks have fallen overall. (3) These taxes generated an extra EUR 80 million (USD 90 million) in its first year. (4)

As parliamentarians, you can play a crucial role in improving public health in your country while raising revenue. You are ideally placed to champion health tax legislation.
The first step is to look at whether taxes are imposed on tobacco, alcohol and sugary drinks in your country

If they exist:

❖ You can determine whether their purpose is to reduce consumption or raise revenue
❖ You can explore the extent to which they are implemented
❖ You can track their progress
❖ You can decide how they can be further leveraged to advance public health goals
❖ If needed, you can advocate for a review of existing legislation to better align with national public health and social development objectives

If existing taxes on tobacco, alcohol and sugary drinks were not designed to achieve health goals:

❖ You can use this opportunity to introduce the notion of health taxes
❖ You can foster debate around them
❖ You can determine whether health taxes have ever been debated in your parliament. If yes, you can explore the outcome of those debates and if not, you can ask why not?
❖ You can gather examples of successful health taxation in other countries
❖ You can help formulate and adopt dedicated health legislation and once adopted, you can help ensure it is properly implemented

Health taxes have demonstrated they can deliver results
Over the next 10 years, up to 150 million people may die from preventable NCDs such as diabetes, obesity, hypertension, and cancer. (5) The consumption of tobacco, alcohol and sugar-sweetened beverages contribute to NCDs, so reducing them will also reduce the number of illnesses and deaths.

Tobacco use caused more than 8 million premature deaths globally in 2019. (6) Over a 50-year period, a 50% tax increase on tobacco products would prevent 27.2 million deaths and raise USD 3 trillion. (7)

Harmful use of alcohol caused some 3 million deaths globally in 2016. (8) Over a 50-year period, a 50% tax increase on alcohol products would prevent 21.9 million deaths. (9)

Sugary drinks represent only a fraction of products which add sugar to the diet, but a tax on these beverages would still have a significant impact. Over a 50-year period, a 50% tax increase on sugary drinks would prevent 2.2 million deaths. (10)

Health taxes raise the price of harmful products and make them less affordable. Consuming fewer unhealthy products will reduce NCDs and therefore contribute to better health.

- In 2012, cigarette prices in the Gambia were among the lowest in West Africa. A series of hikes in tobacco taxes led to a drastic 60% drop in tobacco imports, a decrease in consumption, (11) and around a 300% increase in tax revenue in 2018. (12)

- In 2018, the UK implemented a tax based on the sugar content of SSBs. As a response to the announced tax reform, manufacturers reduced the amount of sugar in their products, demonstrating the power of health taxes in reformulating products for better health. Product reformulation and changes in consumer purchasing led to a significant reduction in the total volume and per capita sales of sugars sold in soft drinks in the UK. (13)

- Health taxes work best if implemented together with other health-related measures. In 2005, the Russian Federation increased taxes on alcohol and implemented alcohol control measures. It banned advertisements, restricted alcohol availability, and raised prices. As a result, alcohol consumption fell by about one third, and NCDs and mortality declined substantially. By 2019, life expectancy reached a peak of almost 68 years for men and 78 years for women. (14)
As parliamentarians, you have a unique role to play in improving citizens’ health and helping find the resources to do so by acting as a bridge between government and citizens, help formulate and adopt dedicated legislation, and overseeing government work across each stage of the policy cycle.

**How can you help?**

- You can determine the extent of tobacco, alcohol and SSB use in your constituency, the number of constituents affected by NCDs, and the impact these may have on individuals.

- You can raise awareness about these results and about the benefits of health taxes through the media.

- You can reach out to other MPs involved in health or revenue to leverage your common goals.

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**Key messages on using health taxes to save lives**

- Health taxes work. They help save lives and improve people’s health.

- Health taxes make harmful products less affordable, so they help reduce consumption.

- Health taxes offer many public health benefits and may cost less to implement than other types of taxes.

- Health taxes cannot work in isolation: they require a comprehensive approach that includes other programmes to reduce unhealthy consumption.

- Health taxes can incentivize manufacturers to make their products healthier.

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*Support health taxes — save lives*
Health taxes can generate much-needed revenue for governments. While some consumers will no longer be able to afford tobacco, alcohol or sugary drinks once prices increase, a small number will be willing to pay more for these products. This additional revenue may be used to pay for the rising costs of healthcare or other social programmes, either by directly financing particular programmes or through the national budget more generally, benefitting government budget envelopes.

Industries affected by health taxes often claim that imposing new taxes will reduce tax revenues for the government, but country examples clearly show that on the contrary, well-designed and well-implemented health taxes result in decreased consumption and increases in revenue:

1. In 2012, the Parliament of the Philippines implemented a significant changes (higher rates and a simplified structure) to its taxes on tobacco and alcohol. Within a year, tobacco and alcohol tax revenue had increased by more than 86%. Within two years, the health tax revenues accounted for more than 1% of GDP. Once the cigarette price increased, this dramatically reduced consumption. (15)

2. To improve public health, the South African Parliament introduced a tax on sugary beverages based on sugar content in 2018. The tax raised public awareness about the harmful health impacts of sugar, prompted the industry to reduce the sugar content of drinks, and raised 3.2 billion Rands (USD 2.4 billion) in its first year. (16)

Opponents of health taxes often claim that tax increases will lead to losses in employment in the taxed industries. These claims are unfounded, or are based on exaggerated estimates of the proportion of the labour force linked to the taxed products, or conveniently ignore the fact that money not spent on these products will be spent on other goods, which will create jobs elsewhere in the economy.

For example, in the vast majority of countries, studies have found that tobacco control policies, including tobacco taxes, have had no effect or a small net positive effect on national employment. (17) In fact, a World Bank report found that globally, the job losses in tobacco have come mostly from manufacturers’ own policies (e.g automation and consolidation), not from tax hikes. (18) Of the few countries which have relatively large populations that rely on tobacco farming there have been examples of successful initiatives to promote viable alternative livelihoods to tobacco farmers. In Indonesia, for instance, former tobacco farmers are growing non-tobacco crops, and are making more money doing so. (19)

US-based studies have also demonstrated that increasing taxes on alcohol would increase employment overall, since jobs from alcohol-related sector would shift to other sectors of the economy. (20)

A World Bank review of independent (i.e. non-industry funded) studies of business, employment, and productivity impacts of SSB taxes identified “net positive economic impacts, including overall employment and productivity gains”. Mexico and Philadelphia did not experience the severe job losses claimed by SSB tax opponents. (21)

Additionally, occasional concerns are raised that health taxes might favor tax evasion or illegal trade. More robust governance and a simplified taxation structure would go far in avoiding these illicit acts, as illustrated by the Colombian example below.
How can you help?

- You can raise questions around taxation and health policies when reviewing the annual budget.
- You can advocate for the inclusion of health taxes in any fiscal reform package.
- You can encourage international financial institutions to include health taxes in their work programs in countries.
- You can help bring health taxes to the attention of development partners.
- You can ensure parliamentary committees address health tax issues in budgetary debates.

A 2016 Colombian fiscal reform shows that higher taxes on tobacco not only saved lives but also increased revenues.

When Colombia increased taxes on tobacco products by 200% over the span of several years, the results were dramatic. In just two years, cigarette consumption fell by 34%, while tax revenues – earmarked for the health sector – doubled.

The fiscal reform took place in tandem with a stronger anti-smuggling law.

The combined measures provided Colombia with a win and debunked anti-tax arguments that contraband would increase and revenues would fall. Both were proven wrong.

Mauricio Cardenas, Former Finance Minister of Colombia, (2012-2018)
Visiting Professor at Columbia University and Member of the Bloomberg Task Force on Fiscal Policy for Health

Key messages on mobilizing revenue

- Health taxes help raise revenue and reduce health costs.
- Health taxes can contribute to the national budget.
- Health taxes can help finance specific health programmes directly or be used for broader health programmes.

Support health taxes – mobilize revenue
By supporting health taxes, you can strengthen health care systems

Health care systems are already overstretched and need more resources. Having to deal with chronic illnesses or NCDs brought on by the intake of tobacco, alcohol, or sugar places an even heavier burden on them.

When citizens quit smoking, reduce their sugar intake and drink responsibly, NCDs are significantly reduced, and scarce resources can be redirected to other health priorities. This helps strengthen a country’s health care systems.

Close to 7 million deaths could be prevented by 2030 if low- and lower-middle-income countries were to make an additional investment of less than a dollar per person per year in the prevention and treatment of noncommunicable diseases (NCDs). Preventative policies such as increasing health taxes, restrictions on marketing and sales of harmful products, information and education and vaccination, are relatively inexpensive and require little capital investment but will help avoid much of the high cost of treatment in future. – 2021 WHO report: Saving lives, spending less: the case for investing in noncommunicable diseases.

Health taxes can help alleviate this burden by discouraging the consumption of products which cause chronic illness and may require disability management and long-term care.

Key messages on strengthening health care systems

- Health taxes strengthen health systems and reduce the burden placed on them by NCDs
- Health taxes can help lower consumption of products that cause chronic illnesses, and avoid the health costs associated with these diseases
- Stronger health systems allow countries to use scarce resources for their key priorities.

How can you help?

- You can make policy recommendations around improving your country’s health care system
- You can push for resources from health taxes to be earmarked for the health programmes or advocate for increasing the national budget allocation to the health sector.
- You can identify the costs associated with NCD care and management and the proportion of these costs in the overall health care system
- You could explore potential ‘bundling’ of health taxes with other NCD prevention methods, such as advertising bans for harmful products
Tobacco, alcohol, and sugary beverages account for a large and growing share of premature deaths and disease, especially in low- and middle-income countries, disproportionately affecting vulnerable groups such as young people and the poor.

- In the United States, the poor face a higher risk of lung cancer. (22)
- In Mexico, diabetes has become more common among young people. (23)
- Alcohol-related injuries are higher among the poor in South Africa. (24) Vulnerable populations also tend to be more sensitive to price increases and cannot afford to pay more for these products. This means that health taxes hold great potential to improve the health of the poor.
- The 2009 tobacco tax increase in the United States reduced smoking among both youth and the poor. (25)
- In Mexico, low-income groups consumed fewer sugar-sweetened beverages (SSBs) than their wealthier counterparts once taxes on SSBs were increased. (26)
- The Thai SSB tax had a larger impact on children and teens (6–14 years old) than on older persons. (27)

Studies from the United States (28) and Switzerland (29) demonstrate that younger drinkers are more affected by price. This is important because future drinking habits may be formed at a young age. (12)

By decreasing the risk of NCDs, individuals and families can avoid high health care costs, helping them lead healthier lives and providing them with more disposable income to spend on necessities.

**NCDs and poverty: A vicious cycle**

Strong evidence from 283 studies demonstrate that poverty increases the risks for chronic illnesses. (30) Poor people are less likely to undergo early screening and treatment and therefore, are at a higher risk for developing complications later in life.

At the same time, NCDs can also drive people into poverty. For example, in Nepal (31) and Bangladesh (32), the high costs of treatment force families to sell most if not all assets and incur high interest loans. Patients with chronic illnesses often have to choose between avoiding medical treatment or further impoverishing their families.

**Key messages on addressing health inequalities**

- Deaths from NCDs affect vulnerable populations disproportionately.
- Health taxes benefit the poor and the young and have great potential to help them lead healthier lives.
- Consumption habits are shaped at a young age, so reducing consumption early will reduce addiction and illness and save lives later.
- Health taxes help reduce the cost of health care, especially for those who can afford it the least.
- Health tax legislation will improve health care for all, not just for those who can afford it.
- Health taxes are progressive rather than regressive. They are offset by health benefits and lower health costs.
Governments have committed to achieving the Sustainable Development Goals (SDGs) by 2030 and must report regularly on progress. Health taxes can accelerate that progress by improving health, as required under SDGs 3: Ensure Healthy Lives and Promote Well-Being for All at All Ages.

Two targets are particularly relevant to health taxes:

- **SDG target 3.4:** By 2030 reduce by one-third pre-mature mortality from NCDs through prevention and treatment, and promote mental health and wellbeing

- **SDG target 3.8:** Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all. (33)

While health taxes can improve health and lower the risk of NCDs, they can provide everyone with access to critical health services. Health care often costs money, and by 2017, the inability to pay for it pushed or further pushed into extreme poverty 505 million people worldwide. (34, 35)
A vision for parliamentarians

As parliamentarians, you sit at the crux of policy making: your involvement can make health taxes a reality, to the benefit of both your constituency’s needs and your government’s revenues.

Outside parliament, you can advocate for health taxes with your constituents, civil society, the media, and your peers from other countries. In parliament, you can influence legislation and policy, in plenaries and committee work. You can make sure that health taxes are part of a comprehensive approach to preventing consumption of harmful products and improve the health of all, and that potential negative consequences are taken into account and mitigated.

Health taxes work, delivering a positive outcome for communities and future generations.

All that is required is a willingness to start the process.
Selected further reading

**Health taxes in general**

Health taxes website (WHO) (🔗)

Health taxes primer (WHO) (🔗)

Health Taxes to Save Lives: Employing Effective Excise Taxes on Tobacco, Alcohol, and Sugary Beverages (Bloomberg Task Force on Fiscal Policy for Health) (🔗)

**Tobacco**

Technical manual on tobacco tax policy and administration (WHO) (🔗)

MPower NCD prevention tools for tobacco (🔗)

**Alcohol**

Resource tool on alcohol taxation and pricing policies (WHO) (🔗)

Read more about the SAFER package of NCD prevention tools for alcohol (🔗)

**Sugar-sweetened beverages**

Taxes on sugary drinks: Why do it (WHO) (🔗)

Taxes on Sugar-Sweetened Beverages: Summary of International Evidence and Experiences (World Bank) (🔗)
References


21. Libby Hattersley, Alessia Thiebaud, Lynn Silver, Kate Mandeville, Countering Common Arguments Against Taxes on Sugary Drinks, World Bank


33. IPU resolution: “Achieving universal health coverage by 2030: The role of parliaments in ensuring the right to health” (2019).

