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LEVY 20-30% HEALTH TAX ON FOOD HIGH IN SUGAR, SALT, FAT: STUDY

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A health tax of between 20% to 30% in addition to GST can be considered to be imposed on sugar, sugar sweetened beverages (SSBs) like colas and juices as well as foods high in sugar, salt and fat (HFSS), public health researchers have recommended in a study published in *Journal of Health Policy and Planning.*

The recommendation is an outcome of a UNICEF-funded project, and the authors hope that this study along with others will influence policies aimed to reduce consumption of sugar and related products. Niti Aayog is interested in understanding the impact of imposing health taxes and warning labels on food products for encouraging healthy eating practices in Indian consumers.

Dr Beena Varghese, health economist and consultant, WHO and a co-author of the study tells *The Hindu* that the study does not recommend taxing households on purchase of their regular ration of sugar. “The study insists that bulk consumers of sugar such as confectionery and sweet manufacturers may be taxed which may reduce their demand for sugar. When the higher costs are transferred to consumers, demand for such products is expected to reduce,” Dr Varghese says.

For the purpose of the study, sugar is defined as all forms of refined and unrefined sugar and gur (brown cane sugar), sugar used by bulk manufacturers for all unbranded and unlabelled sweets and confectionaries.

According to Ministry of Consumer Affairs, Food and Public Distribution data, confectionery manufacturers purchase up to 55% of annual sugar produced in India. “We estimate that manufacturers may be more sensitive to prices of sugar than a household that purchases smaller quantities as a part of their essential food basket,” Dr Varghese says.

Currently sugar is taxed at 18% GST, if an additional 20-30% tax is imposed, this will take the tax to 38-48%. Researchers have applied the metric of ‘Price Elasticity’ to determine if there will be any reduction in demand if prices of the product went up. “Sugar is a widely used product, so on studying price and demand for sugar over years from datasets available between 1984-85 to 2011-2012 of Private Final Consumption Expenditure and Consumer Price Index, we estimate that if the price of sugar is increased by 10%, demand for sugar will be reduced by 2% with all other factors driving the demand remaining constant.

“However, for manufacturers of sweets and confectionaries, who buy sugar in bulk we are estimating a higher price elasticity, so by imposing an additional 30% tax to 18% GST, we estimate that there could be a 13-18% decrease in demand for sugar,” Dr Varghese says.

For sugar sweetened beverages, a health tax of 10-30% could result in 7-30% decline in demand, while 10-30% health tax for HFSS products would result in 5-24% decline in demand.

Researchers also noted that additional taxes would increase tax revenues for the government by 12-200% across different scenarios. Different products are currently taxed differently. While sugar currently attracts 18% GST, sugar sweetened beverages attract 28% GST and a 12% additional cess, while high fat, salt and sugar products only attract 12% GST.

“Taxing unhealthy foods more is likely to reduce demand, while increasing government revenues for reinvestment back into public health programmes and policies that may reduce obesity and the incidence of non-communicable diseases in India,” says Dr Varghese.

India is the largest consumer of sugar in the world, the paper notes. “Global average consumption of sugar is 22 kg per person per year, an average Indian consumes 25 kg per year which includes regular sugar, free sugar from sugar sweetened beverages, traditional sources like jaggery, which is five times the WHO recommended threshold for free sugar intake,” the paper says. India is facing a sugar epidemic with a rise in sale of aerated drinks by 22.5% and a rise in all soft drinks by 24.8% from 2016 to 2019. Also, HFSS food products account for 10-30% of average total caloric intake in rural and urban households respectively, the paper notes.

Imposing health tax on sugar and related products can help control obesity, tooth decay, risk of type 2 diabetes, cardiovascular disease and certain cancers. Researchers say that if people continue to consume sugar sweetened beverages year-on-year the overweight and obesity prevalence is expected to rise from 39% to 49% from 2014 to 2023 and type 2 diabetes incidence is expected to rise from 319 to 336 per 1,00,000 in the same period.

Tax rate is tied to the volume of sugars and manufacturers are encouraged to reformulate and reduce the amount of sugar in drinks. “We have recommended taxing artificial sweeteners and other sugar replacements in the similar vein so that manufacturers do not look for cheaper alternatives,” she says.

Up to 70 countries have imposed a health tax on sugar, SSBs and HFSS including Mexico, Chile, Saudi Arabia, Argentina and South Africa. In Mexico, taxation on SSBs decreased consumption of taxed beverages (and increased purchase of bottled water) in the first year of implementation and reduced mean BMI in younger age groups.

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