



**Australian Government
Re:think
Tax discussion paper
(March 2015)**

Submission from the Obesity Policy Coalition

1 June 2015

Executive Summary

The Obesity Policy Coalition ('OPC') is a coalition between Cancer Council Victoria, Diabetes Victoria and the WHO Collaborating Centre on Obesity Prevention at Deakin University. The OPC's interest in the Australian Government's tax review and Re:think Tax Discussion Paper relates to how fiscal measures may be used to improve diet, weight and health outcomes in Australia. The OPC's submission responds to questions 51 and 54 of the Discussion Paper.

Poor diet, overweight and obesity are the leading contributors to Australia's disease and injury burden, and rates continue to increase. The economic costs of obesity in Australia are also high, exceeding \$58b in 2008. Government led action across a range of sectors is urgently needed to curb overweight and obesity rates and avoid unsustainable burdens on Australia's health system, economy and society.

The World Health Organization, Australia's Preventative Health Taskforce and numerous public health groups and experts have urged governments to explore the potential of fiscal measures (such as taxes and subsidies) to improve diets and weight and health outcomes as part of a comprehensive approach halting the rise of overweight and obesity. These recommendations are based upon growing evidence that food and beverage prices can influence consumption patterns and have significant impacts on weight and health outcomes at a population level, particularly among low income groups.

Having regard to these recommendations and the growing evidence supporting action in this area, the OPC's submission responds to questions 51 and 54 of the Discussion paper as follows:

- In response to question 51, the OPC highlights the importance of retaining the GST exemption for basic foods (such as fruit and vegetables). While removing this exemption may deliver extra revenue to governments and reduce complexity, there is evidence it will influence a reduction in the consumption of healthier whole foods and contribute to an increase in chronic disease and health care costs. It would also be regressive, with low income earners being most heavily impacted by the increased costs. There is no evidence that the current system is unduly complex or burdensome, yet the potential health and health care costs of removing the exemption are clear.
- In response to question 54, the OPC highlights the potential benefits of other fiscal measures to encourage a healthy diet and in particular, submits that the Australian government should implement a tax on sugar-sweetened beverages. There is growing evidence that an appropriately designed tax on sugar-sweetened beverages (effecting a price increase of at least 20%) has the potential to reduce the consumption of these drinks, increase demand for healthier alternatives, improve weight and health outcomes and raise considerable revenue which may be used to support other health promotion initiatives.

The OPC welcomes the discussion on tax reform and looks forward to the opportunity to review and comment on the government's options (green) paper in the second half of 2015.

1. Introduction

The Obesity Policy Coalition ('OPC') is a coalition between Cancer Council Victoria, Diabetes Victoria and the WHO Collaborating Centre on Obesity Prevention at Deakin University. The OPC advocates for evidence-based policy and regulatory change to address overweight, obesity and unhealthy diets in Australia.

The OPC is grateful for this opportunity to respond to the Australian Government's Re:think Tax Discussion Paper (Discussion Paper). The OPC's interest in this review relates to how fiscal measures may be used to improve diet and population weight and health outcomes. In particular, this submission highlights the OPC's support for retaining for the basic food exemption to the Goods and Services Tax (GST) (in response to question 51 of the Discussion Paper) and the potential benefits of other fiscal measures, such as a sugar-sweetened beverages tax, to improve diet and public health outcomes (in response to question 54 of the Discussion Paper).

2. Background – The problems of poor diet, overweight and obesity in Australia

Poor diet and elevated Body Mass Index are the two leading contributors to burden of disease in Australia, ahead of smoking.¹ Rates of overweight and obesity remain high across age groups and demographics, including among children. In Australia, the proportion of men and women aged 18 years and over that is overweight or obese has increased dramatically in recent decades. In 1995, 64.9% of males and 49.4% of females were overweight or obese, however in 2011-2012 the proportions had climbed to 70.3% of males and 55.7% of females.² Australia's adult obesity rate has been estimated to be the fifth highest amongst OECD countries.³ In 2011-12, around a quarter of all Australian children aged 5-17 years (24% of boys and 27% of girls) were either overweight or obese according to measured body-mass index (BMI), which is more accurate than self-report. The total economic costs of obesity in Australia are also high, exceeding \$58 billion in 2008.⁴

Overweight and obesity primarily result from imbalances between energy intake and energy expenditure. Modelling indicates that the increased energy intake that has occurred over the past few decades is more than enough to explain the parallel increase in body weight.⁵ This increased energy intake has occurred mainly as a result of increased consumption of energy-dense (high fat and/or sugar) foods and beverages.⁶

The consumption of energy dense foods has increased significantly among adults and children over the past 30 years. For example, evidence suggests that the average volume of sugar sweetened soft drink consumed annually by adults and children has increased from 47 litres per person in the 1970s to an average of 113 litres per person annually in recent years.⁷ Young Australians, in particular, are commonly high consumers of energy dense products such as soft drink, burgers and chips.⁸ Data from the National Health Survey 2011-2012 has shown that less than 10% of Australian adults, and a

¹ Institute for Health Metrics and Evaluation, Global Burden of Disease Country Profile data for Australia (2014), available at www.healthmetricsandevaluation.org

² Australian Bureau of Statistics, 4125.0 – Gender Indicators, Australia January 2013, Overweight / Obesity.

³ OECD. Health at a Glance 2007 – OECD Indicators. 2007.

⁴ Access Economics. The growing cost of obesity in 2008. Diabetes Australia: Canberra, 2008.

⁵ Swinburn B, Sacks G, Ravussin E. Increased food energy supply is more than sufficient to explain the US epidemic of obesity. *American Journal of Clinical Nutrition* 2009; 90(6): 1453-1456.

Swinburn BA, Jolley D, Kremer PJ, Salbe AD, Ravussin E. Estimating the effects of energy imbalance on changes in body weight in children. *American Journal of Clinical Nutrition* 2006; 83(4): 859-863.

⁶ World Health Organisation. Childhood overweight and obesity: what are the causes? : World Health Organisation, 2010

⁷ Gill T., Rangan A., Webb K. The weight of evidence suggests that soft drinks are a major issue in childhood and adolescent obesity. *MJA* 2006; 184(6): 263-364.

⁸ Australian Bureau of Statistics, Australian Health Survey: Nutrition First Results – Foods and Nutrients 2011-2012

minority of children, meet the recommended 5 serves of vegetables per day, with fruit consumption also generally falling short of recommended serves.⁹

If the obesity epidemic in Australia is not checked, it is estimated that by 2025, 83% of males and 75% of females over 20 will be overweight or obese. This would have an enormous impact on health care spending, workforce participation, chronic disease rates and quality of life.¹⁰ The estimated \$8.3 billion in financial costs included \$3.6 billion in lost productivity, \$2.0 billion in direct financial costs to the health system and \$1.9 billion in costs borne by carers, as well as \$76 million in indirect costs. This report was based on the cost of obesity alone and did not take into account the cost of overweight. In the long term, it is expected that the economic costs of obesity will increase significantly, and possibly double, due to the prevalence and incidence of diabetes.¹¹

3. Recommendations and evidence in support of fiscal measures to help halt the rise in obesity and reduce the burden of disease.

There is increasing support and impetus from the international community, and peak health bodies, to take decisive policy action on overweight and obesity. The World Health Assembly's Global Action Plan for the Prevention and Control of Non-communicable Diseases 2013-2020 provides guidance on a range of evidence-based policy interventions that governments should consider to halt the rise in and obesity and reduce the burden of non-communicable diseases.¹² Among these interventions, it encourages governments to explore fiscal measures, stating that governments should:

'As appropriate to national context, consider economic tools that are justified by evidence, and may include taxes and subsidies, that create incentives for behaviours associated with improved health outcomes, improve the affordability and encourage consumption of healthier products and discourage the consumption of less healthy options'.¹³

The WHO emphasises that the costs of inaction on the interventions recommended far outweigh the costs of action.¹⁴

The Australian Government has also been recommended to consider fiscal measures through the 2009 final report of the National Preventative Health Taskforce (commissioned by the then Commonwealth Government) proposing "the development of "methods for using taxation, grants, pricing, incentives and/or subsidies to promote production, access to and consumption of healthier foods".¹⁵ Specifically, the taskforce even recommended that the government "provide disincentives for unhealthy foods by considering increasing taxes for energy-dense foods". Despite this recommendation, there have been no moves to revisit food taxes.

The evidence regarding the price elasticity¹⁶ of fresh foods, such as fruit and vegetables, is still emerging. There are variations in the levels of price elasticity reported (including by age, weight

⁹ Australian Bureau of Statistics, Australian Health Survey: Updated Results, 2011-2012.

¹⁰ Michelle Haby et al., "Future predictions of body mass index and overweight prevalence in Australia, 2005-2025 *Health Promotion International* 27(2).

¹¹ Department of Economic and Social Affairs. World economic and social survey 2007. Development in an ageing world. New York: United Nations, 2007.

Vos T, Goss J, Begg S, Mann N., Projection of health care expenditure by disease: a case study from Australia. Brisbane: School of Population Health, University of Queensland, 2007,

¹² W World Health Assembly, Sixty-Sixth Session, *Follow-up to the Political Declaration of the High-level Meeting of the General Assembly on the Prevention and Control of Noncommunicable Diseases*, 25 May 2013 (A66/A/CONF./1) 2013; World Health Organization, *Global Action Plan for the Prevention and Control of Noncommunicable Diseases*, 2013.

¹³ Ibid, pg 32.

¹⁴ Ibid, pg 10.

¹⁵ Australian National Preventative Health Taskforce Report (2009) *The Healthiest Country by 2020 – National Preventative Health Taskforce Strategy – The Roadmap for Action*.

¹⁶ Price elasticity refers to the percentage change in quantity demanded (consumption or purchases) of a good resulting from a 1% change in the price of the good.

status, socio-economic status and family size) and there is little evidence regarding cross-price elasticity (i.e. impact on alternative purchasing, such as other food categories).¹⁷ However, there is growing evidence that price interventions can impact on purchasing habits and weight outcomes if they are well targeted, demand is reasonably elastic and consumers have a choice to shift to healthier food and/or beverages (particularly among low income groups).¹⁸ As discussed below, emerging evidence from countries that have implemented food and beverages taxes is demonstrating positive effects on consumption patterns.

4. Goods and Services Tax

Question 51: To what extent are the tax settings (that is, the rate, base and administration) for the GST appropriate? What changes, if any, could be made to these settings to make a better tax system to deliver taxes that are lower, simpler, fairer)

The OPC submits that the GST exemption for basic food should be retained. As explored in the Discussion Paper, removing the GST exemption for basic food may deliver extra revenue to governments and may cause the GST to be simpler and cheaper for industry and governments to administer. However, if removing the exemption influences a reduction in the consumption of basic foods, particularly fresh fruit and vegetables, any increases in revenue and administrative benefits must be weighed against equity considerations and are likely to be, to some extent, offset by potential increases in health care and other costs.

The OPC recognises that removal of the basic food exemption is currently unlikely given the lack of support for this measure by the Victorian and other state governments. However, the OPC would like to take this opportunity to highlight the importance of retaining the exemption to inform any future consideration of this issue, as well as future governments that may be influenced by the outcomes of this review.

(a) Price elasticity of fruit and vegetables

There is evidence that applying the GST to fresh food in Australia could decrease consumption and that what may appear to be small decreases in consumption could significantly increase chronic disease and health care costs.

Modelling used in studies by several leading Australian researchers has shown that:

- If the price of fruits and vegetables were to go up by 10% (the current level of GST), consumption can be expected to go down by about 5%.
- Over the lifetime of the 2003 Australia adult population, this could lead to around 90,000 extra cases of heart disease, stroke and cancer, which may cost up to \$1.8 billion to treat, on top of a loss of approximately 100,000 healthy life years.¹⁹

While these figures may be influenced by shifts in diet following any reduction in fresh food consumption (cross price elasticity), the researchers concluded that governments should explicitly consider the potential health consequences before making changes to Australia's tax system.²⁰

¹⁷ Powell LM, Chiqui JF, Khan T, Wada R, Chaloupka FJ. [Assessing the potential effectiveness of food and beverage taxes and subsidies for improving public health: a systematic review of prices, demand and body weight outcomes](#) (2013) 14(2) *Obesity Review*. 110-28.

¹⁸ Powell L et al, Assessing the Potential Effectiveness of Food and Beverage Taxes and Subsidies for Improving public Health: A Systematic Review of Prices, Demand and Body Weight Outcomes, *Obesity Review* 2013;14(2): 110-128

¹⁹ Veerman J and Cobiac L. [Removing the GST exemption for fresh fruits and vegetables could cost lives.](#) (2013) 199(8) *Med J Aust*, 534-535

²⁰ Ibid

(b) Equity considerations

The removal of the GST exemption for basic foods would be regressive given lower income earners spend a higher proportion of their income on food, compared to high income earners. In 2009 – 10, low income households across Australia spent \$17 (15%) of their household income on fruit and vegetables, compared with \$38 (10%) by high income households.²¹ The 2011-12 Australian Health Survey reported that among women in particular, rates of overweight and obesity vary by socioeconomic status. Almost two thirds (63%) of women in the lowest socioeconomic group were overweight or obese, compared with almost half (47%) of those in the highest socioeconomic group.²²

In the alternative, it may be argued that low income groups will be impacted less by the removal of the GST exemption than higher income groups if the total amount they spend on basic foods is less (preferring to purchase packaged or more calorie dense food for their money). However, this argument fails to acknowledge the burden that would fall on lower income earners should a higher proportion of their income need to be directed to purchasing healthy foods (leaving less income in the weekly budget for other goods and services). It also fails to recognize the price sensitivity of low income earners, existing barriers to purchasing fresh food for low income groups and the need to remove these barriers. There is clearly a need to make fresh food more affordable (increasing access) rather than more expensive (raising the barriers to access further).

Advocates for removing the GST exemption for basic foods also express the view that while fiscal incentives may be used to improve health, particularly among lower socio-economic groups, the use of indirect taxes may not be the best mechanism (as they are not means tested and are available to the whole population, not just at risk groups). It is argued that instead, these outcomes may be better achieved (particularly for lower socio-economic groups) through more specifically directed fiscal mechanisms, such as reductions in income taxes or direct support to purchase fruit and veg (i.e. vouchers or benefits, as per US electronic benefit transfer card / formally food stamps, or tax credits as per Canada). The OECD has also suggested that equity concerns could be addressed through welfare policies.²³

While these approaches may be beneficial they are also likely to give rise to major administrative costs. For example, administrating a scheme of rebates to low income earners that involves collecting records of fresh food purchase or means testing them may be complex and expensive. There would also be many consumers who do not have the wherewithal to access the off-setting rebate (just as it is argued there are lots of low income consumers who are too time poor to purchase and prepare fresh food). This may lead to the replacement of one type of barrier to fresh food availability with another. In addition, while one government may support rebates or tax cuts, these policies are vulnerable to changes in government and policy priorities. Furthermore, a relative price difference between healthy and unhealthy foods not only supports lower socio-economic groups to purchase these foods, but also sends a message to the whole population which can benefit from a healthier diet.

²¹ ABS 2011 Household Expenditure Survey, Australia: detailed expenditure items, 2009–10. ABS cat. no.6530.0. Canberra: ABS, cited in Australian Institute of Health and Welfare. [Australia's Food & Nutrition 2012](#). Australian Government. 2012. Cat. No. PHE 163, p.95

²² Australian Bureau of Statistics. 2011-12 Australian Health Survey. Australian Institute of Health and Welfare. Available at <http://www.aihw.gov.au/who-is-overweight/>

²³ Organisation for Economic Co-operation and Development (OECD). [OECD Economic Surveys Australia](#). Overview. December 2014

(c) Impact on revenue, administration and health related costs

It has been estimated that removing the GST food exemption could generate up to \$6 billion in extra revenue annually.^{24,25} It may also enhance simplicity and reduce administration and compliance costs. However, these benefits must be weighed against any potential increases in administrative, health and social costs. Any suggestions that revenue raising should be kept separate from considerations of their impact on health could lead to a missed opportunity to synergistically achieve cost savings *and* promote public health. If tax policy can be used to keep health care costs down, it must be a legitimate consideration in the reform debate.

While the GST exemptions for basic food may have resulted in greater complexity and higher compliance and administration costs, there is no evidence that they have been onerous or prohibitive, and these costs/complexity issues have no doubt fallen over time as businesses and governments have become more familiar with the legislation.²⁶ There will always be anomalies, as highlighted by the GST and pizza rolls example in your Discussion Paper, but the evidence shows that these are uncommon, particularly now that the GST exemption has been in force for some time.

As discussed above, there are huge health and economic imperatives to improve diets, weight and health outcomes. Less than 6% of Australians are consuming the recommended levels of fruit and vegetable intake.²⁷ As also noted above, researchers estimate that the costs associated with the negative health effects of a 10% price increase on fruit and vegetables may run as high as \$1.8 billion. The health care costs avoided or saved if fresh food remains exempt, together with potentially significant increases in chronic disease, must be factored into calculations as to the net revenue that may be raised by removing the GST food exemptions. The costs of any administrative scheme implemented to counter inequity, such as rebates or subsidies for low income families, must also be taken into consideration (as discussed above).

(d) Other options?

There are other tax reform options available to governments that have the potential to generate significant revenue, with some also having the potential to improve public health and decrease health care costs (such as a tax on sugar sweetened beverages, discussed below). These options should be carefully considered by Australian Governments before taking any steps that could deter the consumption of fresh fruit and vegetables and potentially increase the burdens of unhealthy diets and chronic disease in Australia.

5. Indirect taxes

Question 54: To what extent does Australia have the appropriate mix of taxes on specific goods and services? What changes, if any, could improve the mix?

The Obesity Policy Coalition's response to this question focuses on the role corrective taxes may play, as part of a multi strategy approach, to reducing the problems of overweight and obesity in Australia.

As recognised in your Discussion Paper, indirect or corrective taxes on tobacco and alcohol have been very effective to raise revenue, achieve behavioural change and reduce the social costs of these

²⁴ Thomas Fitzgerald, [Making the case for GST on fresh food](#). The Conversation, 19 January 2015.

²⁵ Hutchens G and Heffernan M. [Think tank – Abbott government would raise \\$6 billion from GST on fresh food](#). Sydney Morning Herald, 6 January 2015

²⁶ Kenny P. [The GST Food Exemption](#). (2000) 36 *Journal of Australian Taxation*. 424.

²⁷ Australian Bureau of Statistics. [Daily Intake of Fruit and Vegetables 2011-2013](#). (2013); 4338.0 - Profiles of Health, Australia,

harmful products. As also noted in your Discussion Paper, 'other corrective taxes used around the world include taxes on sugary drinks (to reduce obesity)...' Emerging evidence from Australia and internationally demonstrates that fiscal measures, such as taxes on sugary drinks can be very effective to influence consumption and improve population weight and health outcomes.

As discussed above, there is now growing evidence that price interventions can impact on purchasing habits and weight outcomes if they are well targeted, demand is reasonably elastic and consumers have a choice to shift to healthier food.²⁸ The impact of a tax on consumption of certain products has been demonstrated in the case of the Danish tax on saturated fat in food products, which operated for a year from October 2011. Evaluation showed that the tax reduced demand for fats, such as butter, blends, margarine and oils, showing decreases in the consumption of these products in the range 10–15%.²⁹ Food taxes to improve population health have also been implemented in France (2012), Hungary (2011) and a number of countries in the Western Pacific.^{30 31} Evaluation of the impact of the Hungarian tax, which applies to food high in sugar, fat and caffeine, found evidence of reformulation of products, a decrease in sale of taxed products by 25%, and a decrease in consumption of between 25-35% compared to the previous year.³² In Mexico, a tax of approximately 10% on sugar-sweetened beverages was implemented in January 2014 and preliminary data suggests that consumption rates have fallen by around 10% while consumption of healthier drinks has increased.⁴⁰

The Australian government could similarly investigate options to reduce the price of fruit and vegetables relative to unhealthy foods. Alternatively, it could focus on foods or beverages that: (a) contribute most to overweight, obesity and the prevalence of type 2 diabetes; and (b) for which there is the strongest evidence of price elasticity and investigate the benefits of a tax on these foods/beverages alone. In particular, there is increasing evidence that a tax on sugar-sweetened beverages would be effective to reduce consumption of these drinks and improve population weight and health outcomes. Accordingly, the OPC seeks to highlight the potential benefits of a sugar-sweetened beverages tax and encourage the government implement a sugar-sweetened beverages tax in Australia.

(a) The growing evidence to support a tax on sugar-sweetened beverages

There is evidence that a tax on sugar-sweetened beverages (SSBs) has the potential to:

1. Effectively discourage consumption of a product that contributes substantially to the poor diets and chronic disease risk of Australians;
2. Decrease sales of unhealthy beverages and influence demand for healthier alternatives, such as water and low fat milk;
3. Encourage beverage manufacturers to reformulate their beverages to reduce sugar content;
4. Convey the message that the government recognizes that these products are a matter of concern for public health; and

²⁸ Powell L et al, Assessing the Potential Effectiveness of Food and Beverage Taxes and Subsidies for Improving public Health: A Systematic Review of Prices, Demand and Body Weight Outcomes, *Obesity Review* 2013;14(2): 110-128

²⁹ Dejgard et al., "The Danish tax on saturated fat – short run effects on consumption, substitution patterns and consumer prices of fats" (2013) 42 *Food Policy* 18-31.

³⁰ Villanueva T. "European nations launch tax attack on unhealthy foods" *CMAJ*. 2011;183(17):E1229–30. doi:10.1503/cmaj.109-4031.

³¹ Thow, A. M. et al. "Taxing soft drinks in the Pacific: implementation lessons for improving health" (2011) *Health Promotion International*, 26 (1), 55–64.

³² World Health Organization *Global status report on noncommunicable diseases 2014* Geneva, Switzerland.

5. Raise considerable revenue which may contribute to health promotion initiatives.³³

(i) *The problems with SSB consumption*

Leading Australian and international health organisations consider SSBs consumption to be a risk factor for weight gain and obesity.^{13, 14} The World Health Organisation has recommended that consumption of these beverages should be restricted and the World Cancer Research Fund has recommended that consumption should be avoided.^{13, 14} Similarly, the Australian Dietary Guidelines 2013 recommend that consumption of added sugar in the diet be limited, particularly sugar-sweetened drinks.¹⁹ The recommendations are underpinned by evidence of association between SSB consumption and an increased risk of weight gain in adults and children, as well as association with increased risk of dental caries.³⁴ SSB's also provide virtually no nutritional benefit to consumers, providing few or no nutrients other than water.

However, large numbers of Australian adults and children continue to consume SSBs. Soft drinks, in particular, are consumed by large proportions of the population.³⁵ The 2007 Australian National Children's Nutrition and Physical Activity Survey found 47% of children (aged 2-16 years) consumed SSBs daily.³⁶ Survey data commissioned by Food Standards Australia and New Zealand (FSANZ) in 2003 found that younger age groups were more likely to consume sugar sweetened soft drinks, with 78% of 12-17 year olds and 75% of 18-24 year olds reporting consumption of sugar sweetened soft drinks in the week prior to the survey.³⁷ Younger children also consume concerning volumes of SSB. Research into the consumption patterns of very young children (16-24 months) in Western Sydney found that, on average, cordials were consumed on a daily basis by 41% of children and soft drinks were consumed on alternate days by 29% of children.³⁸ In the 12 months to October 2012, Australians bought 1.28 billion litres of carbonated/still drinks with sugar, with regular cola drinks being the most popular (447 million litres).³⁹

(ii) *A tax on SSBs can influence purchasing and consumption behavior*

There is evidence that taxes on SSBs (or sugar-sweetened soft drinks alone) could reduce consumption and improve population weight and health outcomes, if the tax is set at a sufficiently high level.⁴⁰

As discussed above, there is evidence that Mexico's tax of approximately 10% is shifting consumption patterns away from SSBs towards healthier drinks.⁴⁰ Modelling in Australia and the UK, using cross-price elasticity data, has estimated that a price increase of 20% on SSBs is likely to result in appreciable decreases in population energy consumption and BMI, resulting in thousands of healthy

³³ These summary points have been adapted from Kelly Brownell and Roberta Friedman, Yale Rudd Centre for Food Policy and Obesity Report: 'Sugar-Sweetened Beverage Taxes – An Updated Policy Brief' (October 2012)

³⁴ Ibid; see also Vartanian et al., 'Effects of soft drink consumption on nutrition and health: A systematic review and meta-analysis' (2007) 97(4) *American Journal of Public Health* 667

³⁵ Hector D, Rangan A, Louie J, Flood V, Gill T. Soft drinks, weight status and health: a review. A NSW Centre for Public Health Nutrition (now known as Cluster of Public Health Nutrition, Prevention Research Collaboration, University of Sydney) project for NSW Health, 2009.

³⁶ PM Clifton et al., 'Beverage intake and obesity in Australian Children' (2011) 12 *Nutrition and Metabolism* 87.

³⁷ Food Standards Australia New Zealand. Consumption of intense sweeteners in Australia and New Zealand - Roy Morgan Research Report. Canberra, Food Standards Australia New Zealand, 2003.

³⁸ Karen Webb et al., 'Consumption of 'extra' foods among children aged 16-24 months' (2006) 9(8) *Public Health Nutrition* 1035.

³⁹ Retail World, December 2012.

⁴⁰ Brownell et al. 'The Public Health and Economic Benefits of Taxing Sugar-Sweetened Beverages' 361(16) *New England Journal of Medicine* 1599; Andreyeva et al. 'Estimating the potential impact of sugar-sweetened beverages to reduce consumption and generate revenue' (2011) 52(6) *Preventive Medicine* 413; Wang YC et al. 'A penny-per-ounce tax on sugar-sweetened beverages would cut health and cost burdens of diabetes' (2012) 31 *Health Affairs* 199-207; Eyles et al. 'Food Pricing Strategies, Population Diets, and Non-Communicable Disease: A Systematic Review of Simulation Studies' (2012) 9(12) *Plos Medicine* 1.

life years gained and millions of dollars saved in healthcare costs.⁴¹ Recent UK-based research has confirmed the potential for an SSB tax to impact obesity rates, finding that a 20% tax on sugar sweetened drinks would lead to a reduction in the prevalence of obesity in the UK of 1.3% (around 180,000 people), with the greatest effects likely to be seen in young people, who are the greatest consumers of SSBs.⁴² Other studies considering the elasticity of demand for SSBs have also shown consumption rates are sensitive to price change, and that a price increase would reduce consumption, particularly among certain categories of SSBs (soft drinks in particular).⁴³ Modelling in respect of population impacts of SSB taxes in India,⁴⁴ New Zealand⁴⁵ and South Africa⁴⁶ has also shown positive impacts on health, even after substitution effects are taken into account.

Some of the most convincing evidence of the likely effect of an SSB tax comes from the proven influence of past price increases on tobacco products, which was effective in motivating consumers to quit, preventing potential users from starting to use, and reducing consumption among people who continue to smoke.⁴⁷ Consumption can be further reduced when revenues are used for prevention programs.⁴⁸

There is also strong public support within Australia for increasing the price of SSBs. A national survey of 1,240 adults by Cancer Council Victoria in 2012 found 65% of participants supported a tax on SSBs if the revenue was used to subsidize healthy foods.⁴⁹

(iii) *Would an SSB tax be regressive?*

Interested parties within the beverage industry have opposed the imposition of a tax arguing that it would be regressive, disproportionately impacting Australians on low incomes.⁵⁰ However, Australians of low socioeconomic status (SES) are disproportionately affected by high rates of diet-related illnesses and stand to derive the greatest benefit from reduced consumption of unhealthy products such as SSBs.⁵¹ Children from low SES families also consume greater volumes of SSBs than their higher SES counterparts and therefore stand to benefit from interventions to reduce purchasing and consumption.⁵²

⁴¹ Briggs ADM et al. 'Overall and income specific effect on prevalence of overweight and obesity of 20% sugar sweetened drink tax in UK: econometric and comparative risk assessment modelling study' (2013) 347 *British Medical Journal*; Veerman L et al. 'Tax as a tool to prevent chronic disease – the impact of a tax on sugar-sweetened drinks,' Deakin University, University of Queensland. Presented at ANZOS conference, October 2012.

⁴² Briggs ADM et al 'Overall and income specific effect on prevalence of overweight and obesity of 20% sugar sweetened drink tax in UK: econometric and comparative risk assessment modelling study' (2013) 13 *British Medical Journal* 347

⁴³ Andreyeva et al., (2011) above n 14; Chaloupka F et al (2011) 'Sweetened beverages and obesity: the potential impact of public policies' 30(3) *Journal of Policy Analysis and Management* 644–665.

⁴⁴ Basu S et al., "Averting obesity and type 2 diabetes in India through sugar-sweetened beverage taxation: a economic-epidemiologic modeling study" (2014) *PLoS Med* 11: e1001582 doi:10.1371/journal.pmed.1001582.

⁴⁵ Ni Murchu et al., "Twenty percent tax on fizzy drinks could save lives and generate millions in revenue for health programmes in New Zealand" (2014) 127(1389) 92-5.

⁴⁶ Manyema, Veerman et al., "The potential impact of a 20% tax on sugar-sweetened beverages on obesity in South African Adults: A mathematical model" (2014) 9(8) *Plos One* 1.

⁴⁷ Chaloupka et al., 'Tobacco taxes as a tobacco control strategy' (2012) 21 *Tobacco Control* 172

⁴⁸ *Ibid.*

⁴⁹ Cancer Council Victoria (2012), awaiting publication.

⁵⁰ Coca Cola South Pacific submission to the National Preventative Health Taskforce in response to Australia: the Healthiest Country by 2020; see also coverage of US Beverage industry lobbying activities: Leon Hardt 'The Battle of Taxing Soda' *The New York Times* 20 May 2009

⁵¹ O Mytton et al., 'Taxing unhealthy food and drinks to improve health' (2012) *British Medical Journal* 344.

⁵² De Coen et al., 'Parental socioeconomic status and soft drink consumption of the child. The mediating proportion of parenting practices' (2012) 59 *Appetite* 76–80.

A recent review on the impact by SES of an SSB tax found that lower income households would pay a greater proportion of their income in additional tax. However the monetary burden across all households would be small, with relatively minor differences between higher and lower income households (less than \$5 USD per year).⁵³ An SSB tax would therefore be a pro-equity population policy to reduce consumption and improve weight and population health outcomes.

Further, research suggests that young people, lower-income groups, those most at risk for obesity and those who consume larger quantities of SSBs are likely to be more responsive to price increases,^{42 43} adding support to the argument that an SSB tax will act *progressively* by reducing SSB consumption to the greatest extent in those groups who are most at risk of associated harms. Evaluation of the impact of past tobacco price increases on consumption has shown that the greatest impacts on behaviour have been experienced by the young and the poor.⁵⁴

Any other arguably regressive characteristics of an SSB tax could be ameliorated by using revenue gained through the tax to fund subsidies on fresh fruit and vegetables for low-income families, or improve availability of fresh produce in remote and rural areas. This would reinforce the positive dietary impacts of an SSB tax by enabling consumers to increase intake of healthy products without incurring additional costs.

(iv) Considerations relevant to the design of an SSBs tax

In Australia, a tax on SSBs could be relatively simply imposed through existing tax structures, keeping the costs of implementation and administration reasonably low.⁵⁵ Use of existing tax frameworks capable of accommodating a tax would mean implementation would not require the development of complex independent legislation and administrative structures.⁵⁶

Its design would need to reflect the policy objective of reducing population consumption of sugar through SSBs, to improve health. Consistent with modelling and research here discussed, the tax imposed would need to be sufficiently high to achieve an increase in retail price of 20%, in order to be effective. Generated revenue from a tax could be hypothecated (ear-marked) for health promotion campaigns or to subsidise the cost of healthy foods for low-income earners, with strong public support for such measures.²

For a detailed discussion of the considerations relevant to the design of an SSBs tax in Australia, please see [OPC Policy Brief: The case for an Australian tax on Sugar-Sweetened Beverages](#)

(v) The OPC's recommendations

Consistent with recommendations of the WHO, the policy agenda endorsed by Australia under the GAP and the National Preventative Health Taskforce recommendations, the Australian Government should investigate, design and implement a tax on SSBs to effect a price increase of at least 20% , with the objective of reducing consumption and improving public health.

Of course the factors influencing consumption of SSBs are complex, and improvements in health will not be achieved by a tax alone. Reducing consumption will require a coordinated set of policy measures, targeting individual and environmental drivers of consumption.⁵⁷ Accordingly, an SSB tax

⁵³ Backholer K et al (2015) The effect of a sugar sweetened beverage tax across different socioeconomic groups. Submitted for publication.

⁵⁴ Chaloupka et al (2012) above n 17.

⁵⁵ Thow A and Kaplin L (2013) 'Using economic policy to tackle chronic disease: Options for the Australian Government' 20 *Journal of Law and Medicine* 604 at 608-609

⁵⁶ Ibid.

⁵⁷ Hattersley L and Hector D (2008) 'Building solutions for preventing childhood obesity. Module 1: Interventions to promote consumption of water and reduce consumption of sugary drinks', available at http://www.coo.health.usyd.edu.au/pdf/2008_module1.pdf.

should form part of a comprehensive approach by Australian governments and others to reducing SSB consumption, which should include:

- A social marketing campaign, supported by Australian governments, to highlight the health impacts of sugar-sweetened beverages consumption and encourage people to reduce their levels of consumption;
- Comprehensive restrictions by Australian governments to reduce children's exposure to marketing of sugar-sweetened beverages, including through schools and children's sports, events and activities;
- Comprehensive mandatory restrictions by state governments on the sale of sugar-sweetened beverages (combined with an increase in the availability of free water) in all schools, government institutions, children's sports and events and places frequented by children, i.e. activity centres.

For more information see:

- [OPC Policy Brief: The case for an Australian tax on Sugar-Sweetened Beverages](#)
- [OPC Policy Brief 'A comprehensive policy program to reduce consumption of sugary drinks in Australia'](#)

6. Conclusion

The OPC welcomes this conversation on tax reform and how we can create *a better tax system that delivers taxes that are lower, simpler and fairer*. It provides a valuable opportunity to consider how taxes and other fiscal measures may be used to improve diet and public health and the OPC welcome a further dialogue in this regard.

Please contact Nicole Antonopoulos, Legal Policy Adviser to the OPC, on (03) 9514 6386 or at nicole.antonopoulos@cancervic.org.au if you have any queries about this submission or require further information. The OPC otherwise looks forward to the opportunity to review and comment on the government's options (green) paper in the second half of 2015.

1 June 2015.