



Building Back Better with Health Taxes

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* **Disclaimer:** Views expressed in this presentation are mine alone and do not necessarily represent the views, decisions or policies of the WHO.

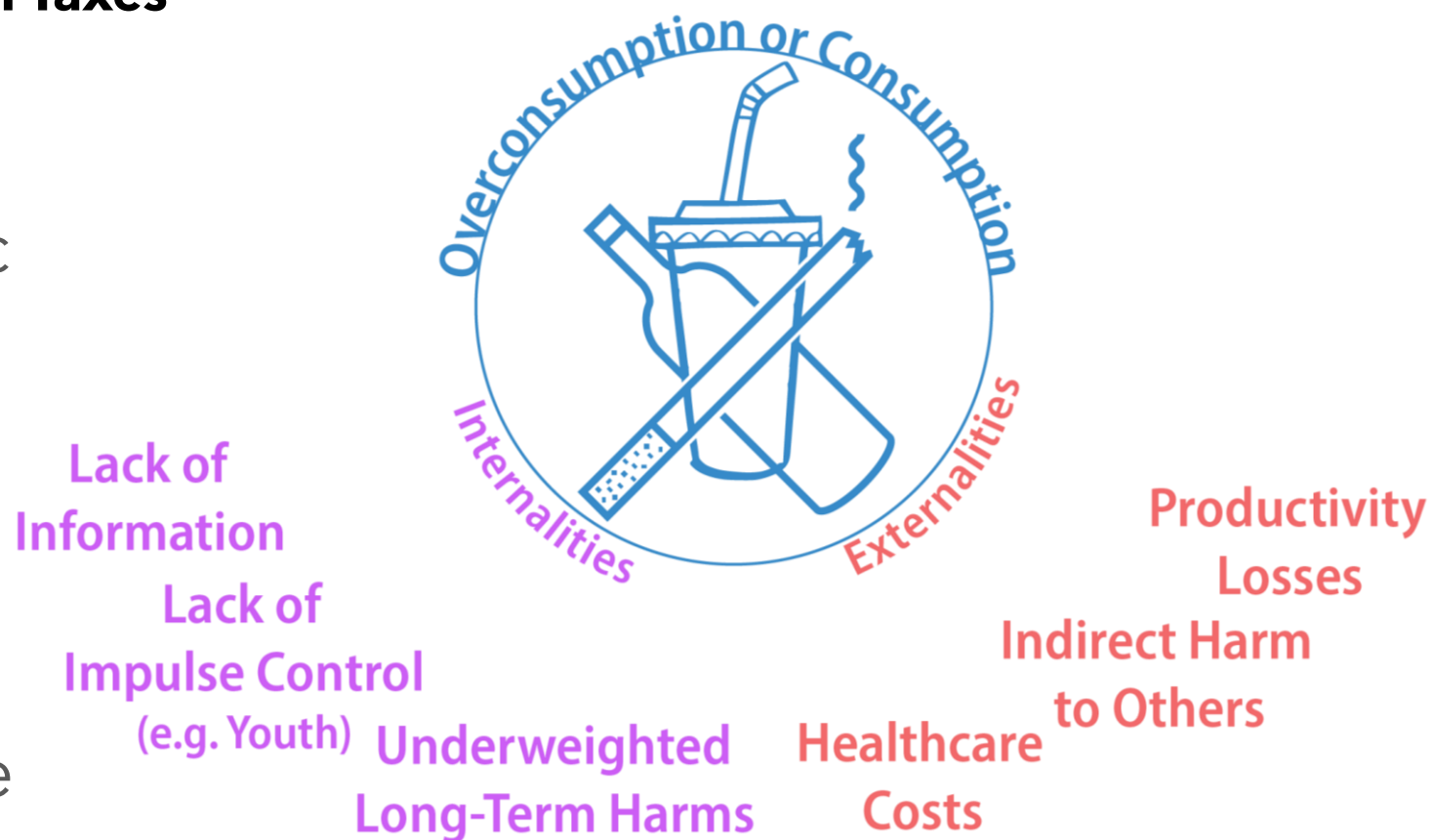
KEY MESSAGES

- **Domestic resource mobilization is not only about raising revenues but spending wisely.**
- **Investing in health is fundamental in any post COVID economic recovery.** While the sumptuary objective of health taxes is primary, it can also boost revenues in a way that is both inclusive and growth friendly
- **Health taxes are SMART:** They **S**ave lives, **M**obilize resources, **A**ddress health inequities, **R**educe health system burdens and costs, and **T**arget NCD risk factors for SDGs fulfilment
- **Health taxes are underutilised because of industry SCARE tactics:** Powerful industry and vested interests often use false, misleading and exaggerated arguments to try undermine health taxes. Counter with political will at the highest levels

What are Health Taxes? Corrects for Negative Externalities and Internalities

Health Taxes are also known as Sin Taxes

- ✓ Taxes levied on products that have a negative public health impact
- ✓ They correct for externalities and internalities
- ✓ Work best if implemented as part of a comprehensive policy intervention package



74% of Global Deaths are from NCDs: Tobacco, Alcohol and Unhealthy Diets are Major Risk Factors



41 MILLION NCD
DEATHS/YEAR

15 MILLION PREMATURE
NCD DEATHS/YEAR

85% OF THESE
PREVENTABLE DEATHS
OCCUR IN LMICs



Diabetes

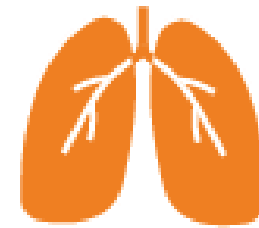
**The Four Major
Noncommunicable
Diseases**



Cancer



**Cardiovascular
Diseases**



**Chronic
Respiratory
Diseases**

* Note NCDs are a risk factor for severe COVID-19, and have contributed to the heavy death toll of the pandemic

NCDs Exacerbate COVID Infections

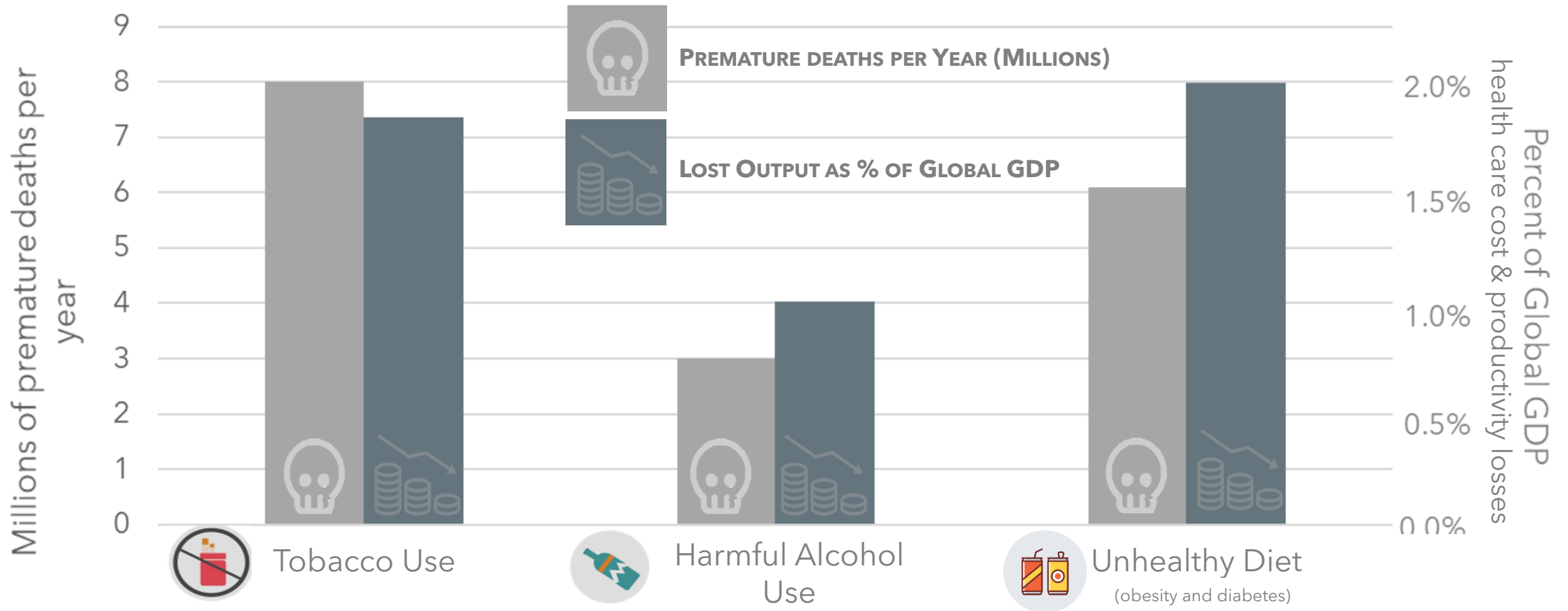
“Fewer NCDs would have meant fewer deaths during the pandemic.” WHO Director-General Tedros

- People with diabetes or hypertension are between 2-4x more likely to develop severe COVID
- People with obesity are at least 1.5x and as much as 2-3x more likely to develop severe COVID
- People with cancer, cardiovascular and respiratory diseases also more vulnerable
- Smokers are about 1.5x as likely to experience severe COVID-19
- Due to compromised immune systems, those with alcohol use disorders are more susceptible to infection and more likely to experience severe COVID-19



1 in 5 people face higher risk of severe COVID-19 (if infected) because of underlying NCDs

Tobacco, Alcohol, and Unhealthy Diets are Responsible for about 11 Million Premature Deaths & Significant Economic Costs Annually

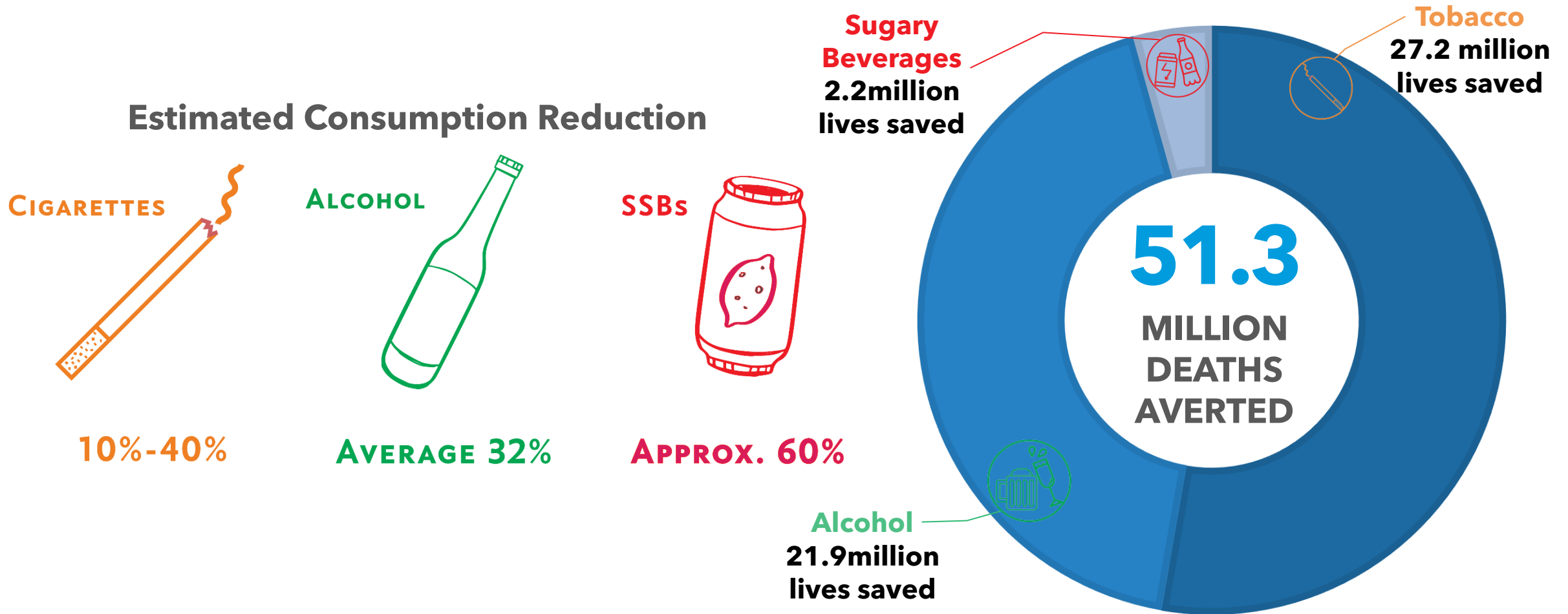


“Two things in life are absolutely certain, one is death and the other is taxes; [but you can] use one to defer the other.”

**Christine Lagarde
Former IMF Managing Director and
Chairman of the Executive Board**



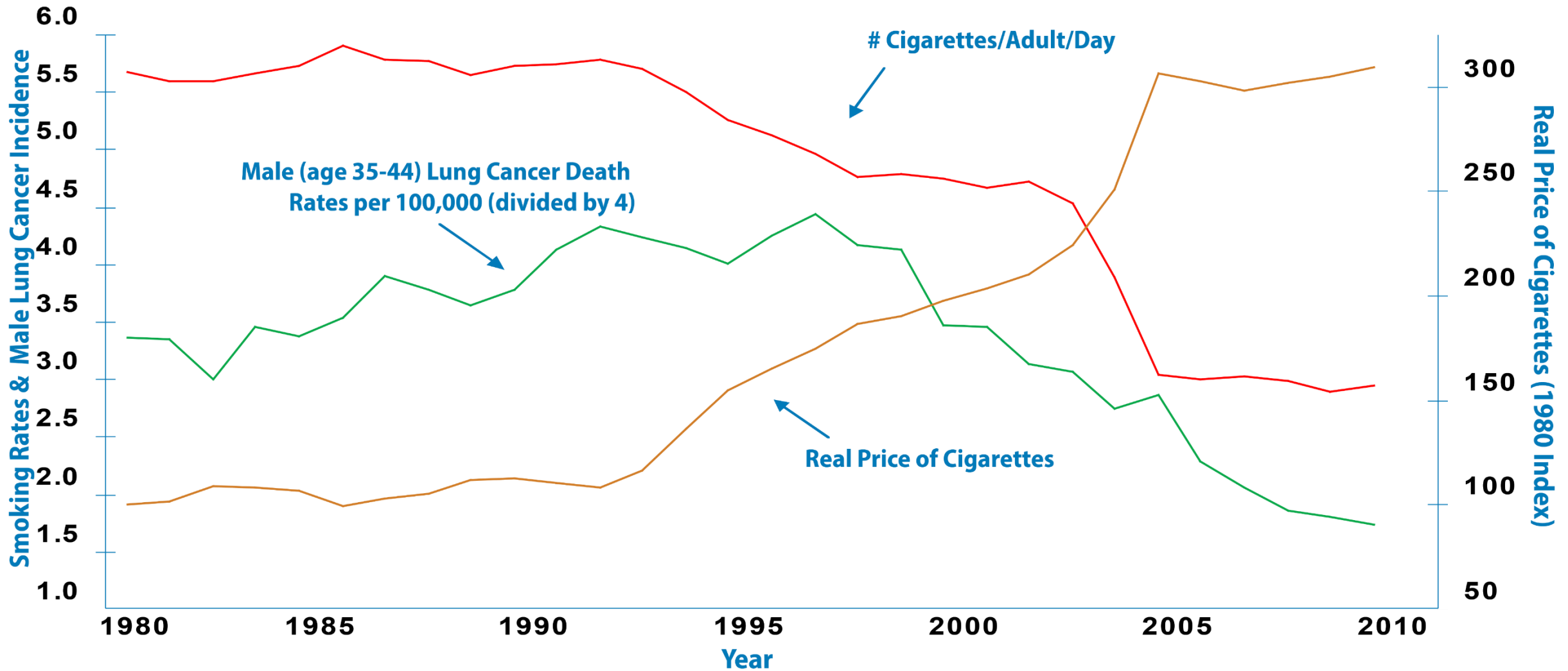
Health Taxes SAVE Lives: Effect by 2067 of a One-Time Global Health Tax Increase that Raised Prices 50%



Case Study: Tobacco Tax in France

As prices increased, smoking rates and male lung cancer incidence decreased

France, 1980-2010: Cigarette Prices, Smoking Rates, & Male Lung Cancer



Health Taxes Can MOBILIZE Revenues

Health Taxation is Underutilized



TOBACCO TAX

At least 170 countries **but in 2018, only 38 mostly HICs were at the WHO highest level of accomplishment**



ALCOHOL TAX

At least 155 countries **but taxes are low and supportive policies such as annual adjustments are very poorly implemented**



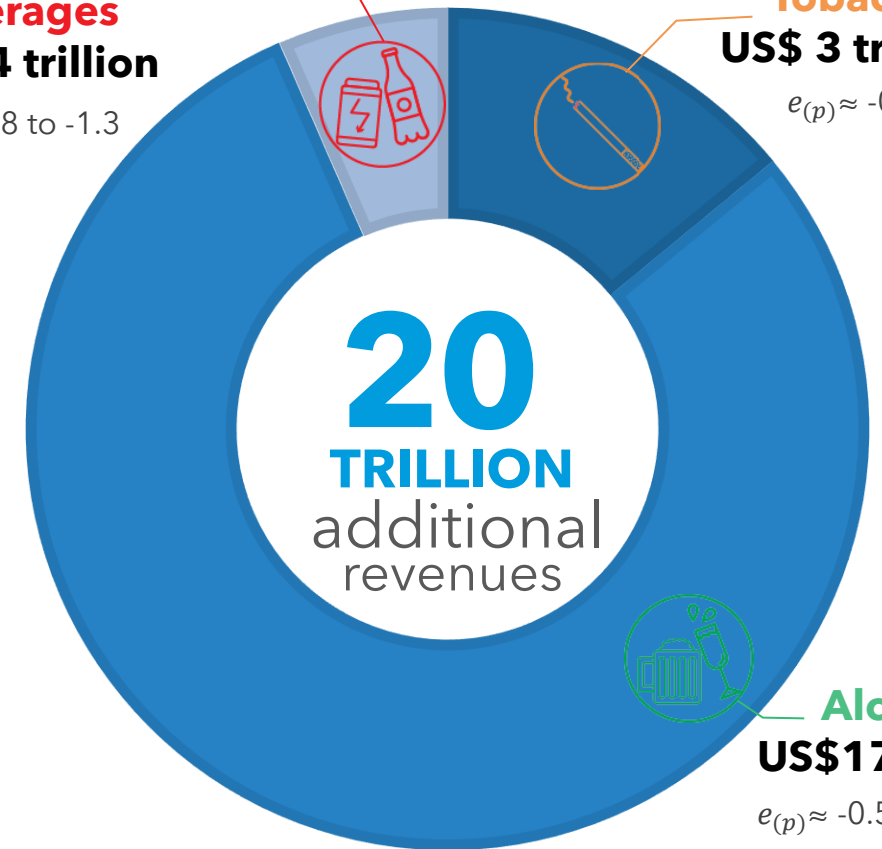
SSB TAX

Only 75 countries have some form of beverage tax

Cumulative Additional Revenue, 2017-2067, From a One-Time Global Tax Increase that Raised Prices by 50%

Sugary Beverages
US\$1.4 trillion
 $e_{(p)} \approx -0.8$ to -1.3

Tobacco
US\$ 3 trillion
 $e_{(p)} \approx -0.5$



Alcohol
US\$17 trillion
 $e_{(p)} \approx -0.5$ to -0.9

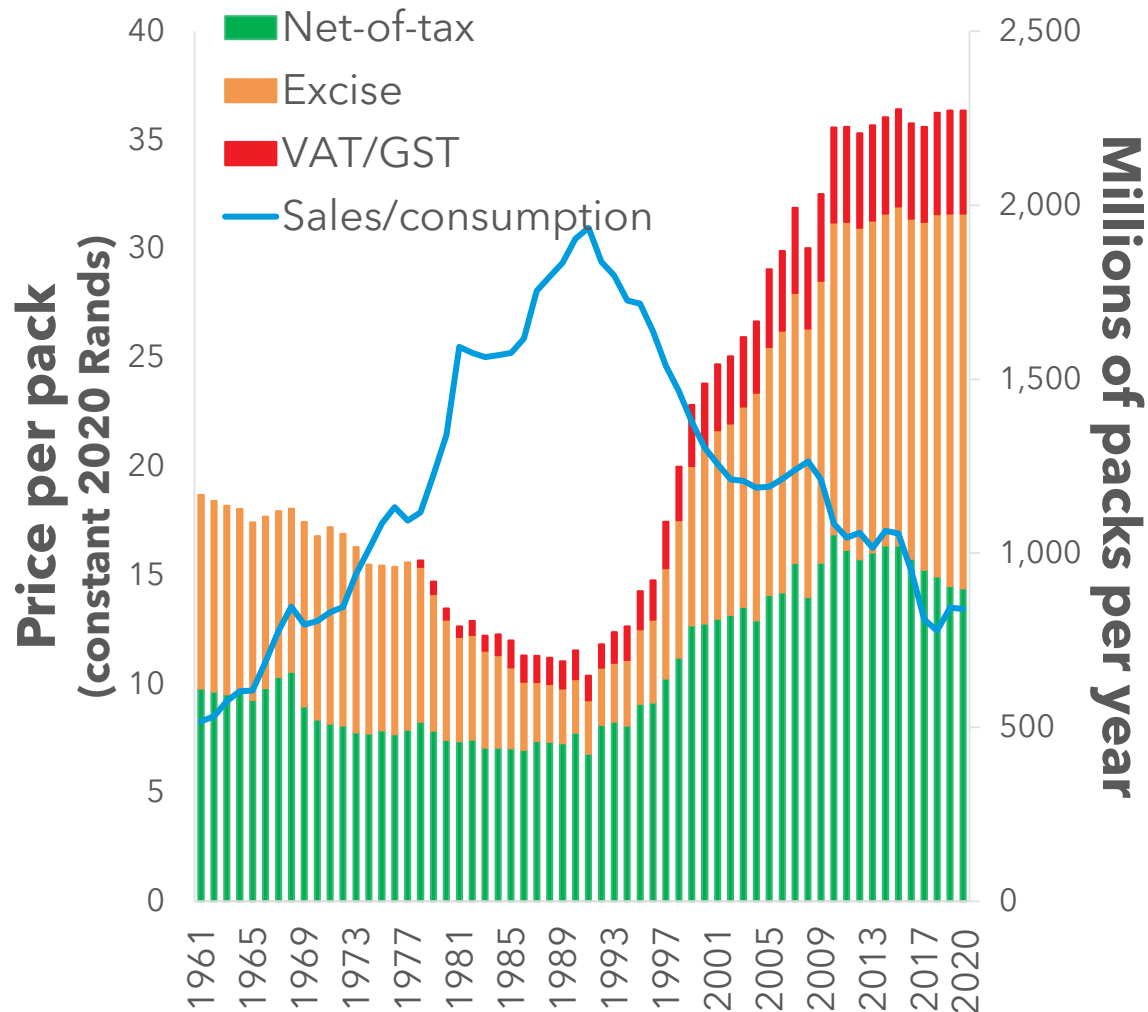
“Taxing “bads” such as tobacco and sugar over taxing “goods” like savings and income is as close to a free lunch as you can get in economics. This is low hanging fruit to make people’s lives better and make the world a better place.” Lawrence H. Summers, 2018



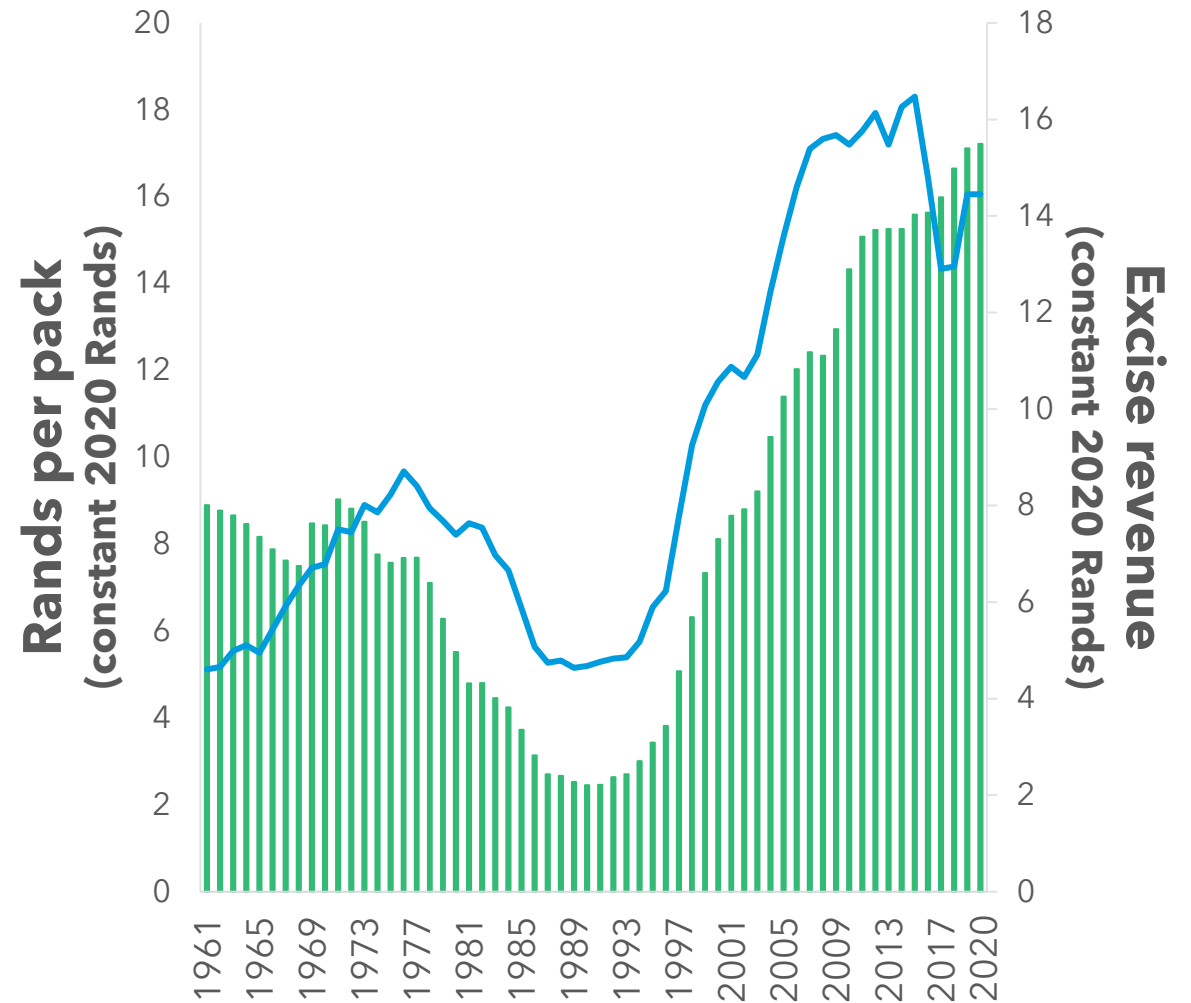
Case Study: Tobacco Taxation in South Africa



Win for Health



Win for Revenue

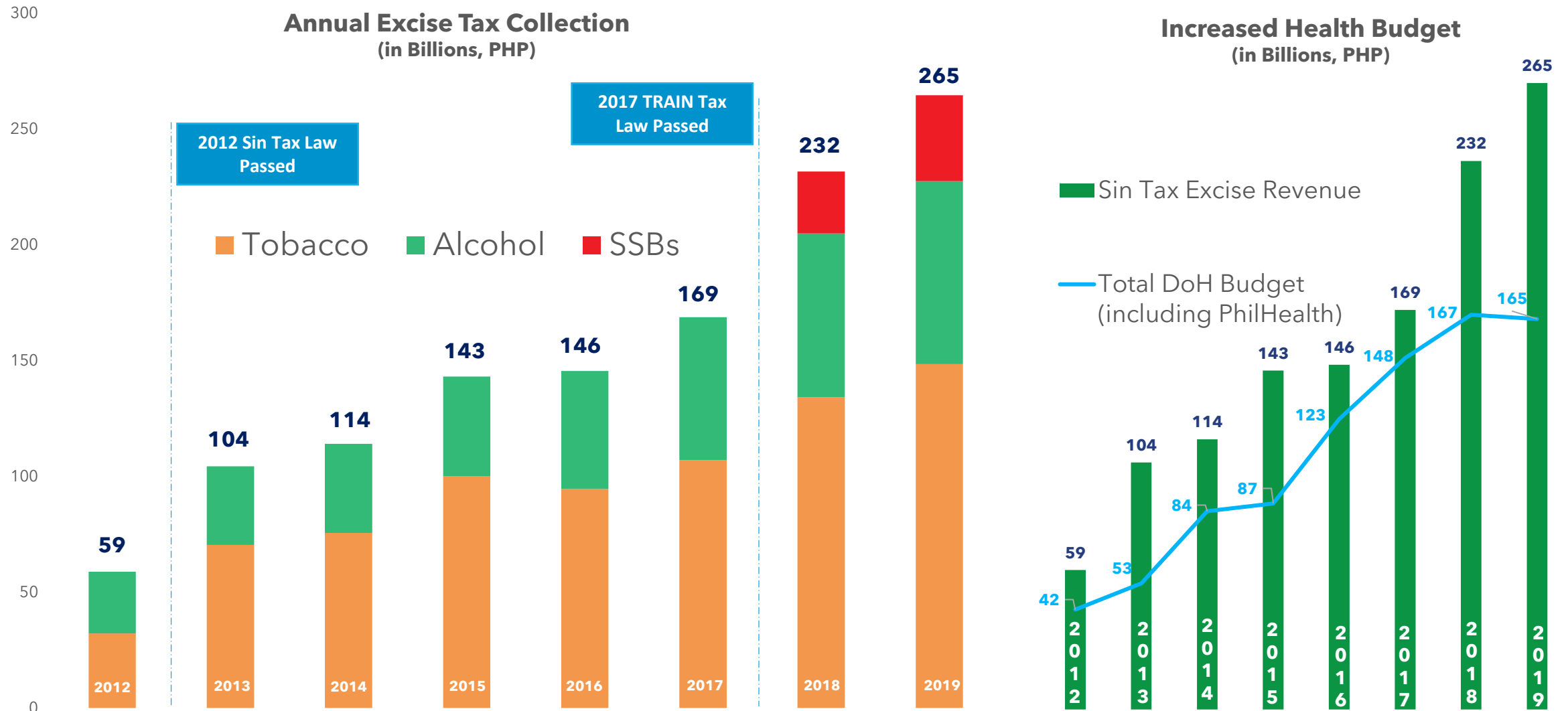


Case Study: Sin Taxes in the Philippines



Win for Revenue

Win for Public Health



Sources: (1): Bureau of Internal Revenue data received September 2020 from Department of Finance via Ramon T. De Huzman, WHO, WPRO, Philippines Country office; (2) Department of Health and PhiHealth data

Health Taxes Can Hit the Sweet Spot in LMICs Post COVID 19

Prospective Annual Yield (%GDP) of Taxes for New Revenue in LMICs

Wealth tax **Low LMICs
Applicability**

Excess profits tax **0.06-0.08**

Digital services tax **0.13-0.25**

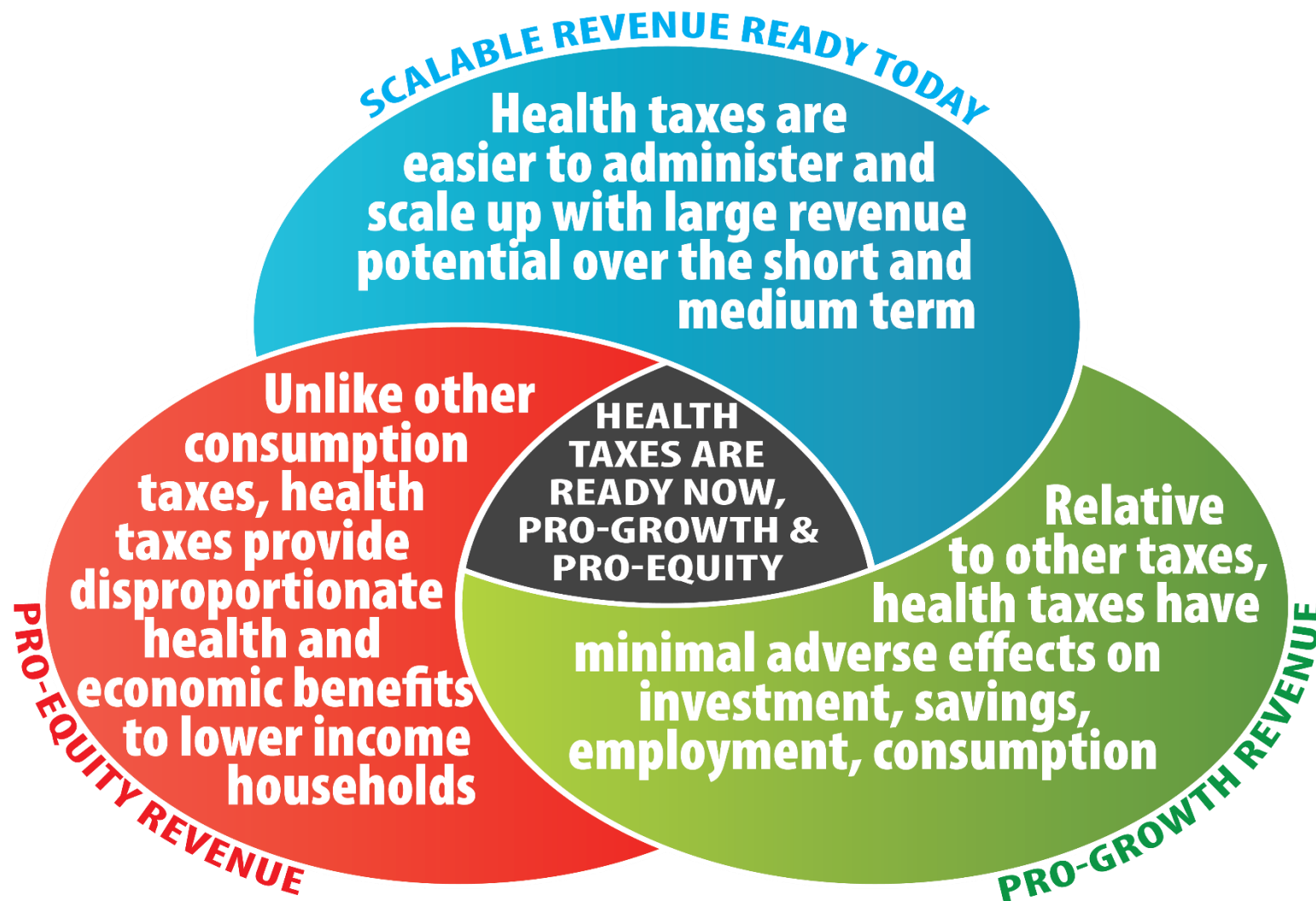
Tobacco tax **0.24** 

Alcohol tax **0.35** 

SSBs tax **0.04** 



Health Taxes Can Hit the Sweet Spot: Inclusive & Growth Friendly Revenue

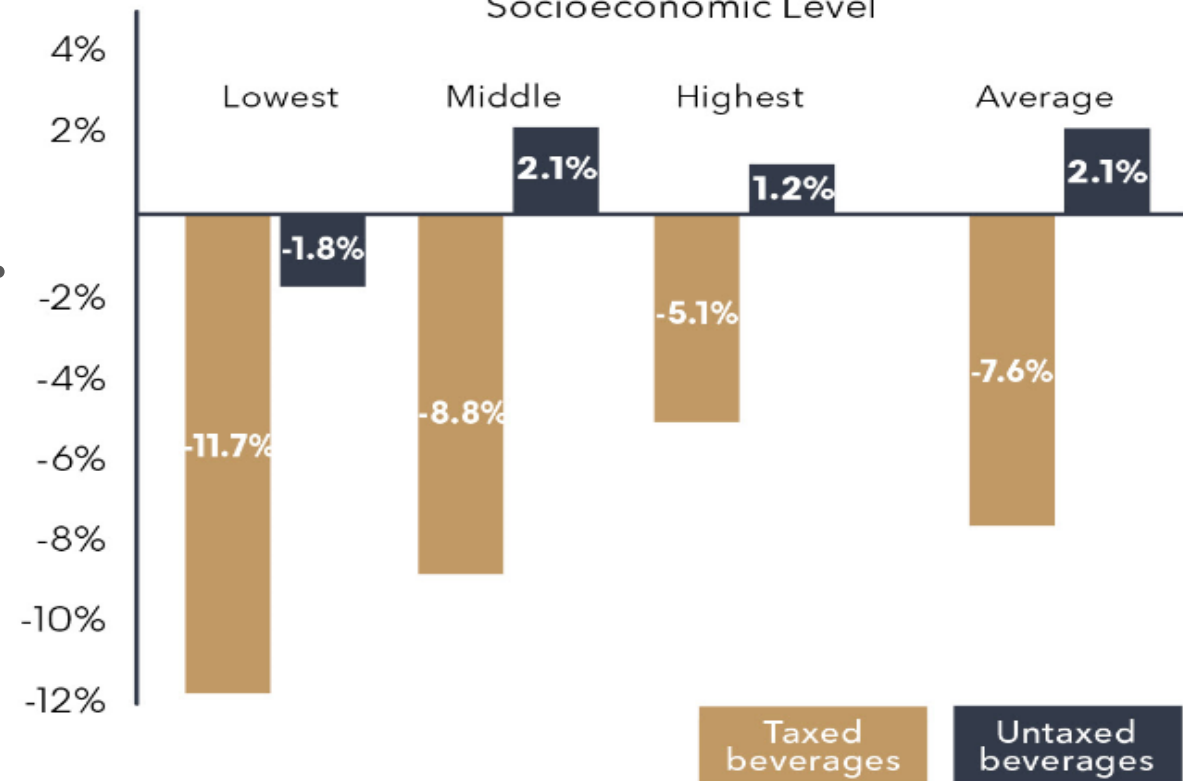


Health Taxes ADDRESS Health Inequities



- In LMICs, lower socioeconomic status is significantly associated with higher risk of NCDs and higher rates of tobacco and alcohol use
- Health taxes are very effective at reducing the consumption of price sensitive young and low-income groups. This makes it an **effective tool for addressing health inequities**
- The net impact of health taxes is progressive if one fully accounts the health benefits, and the reduction in health care costs

Changes in Household Purchases of Taxed and Untaxed Beverages by Socioeconomic Level After 1 Peso Tax Imposed, Mexico, 2014-15



Health taxes can REDUCE health systems burdens in the future: An ounce of prevention is worth a pound of cure

'Best buys' and other recommended interventions for the prevention and control of noncommunicable diseases

TACKLING NCDs



Best-buys: Most cost-effective interventions with cost effectiveness analysis \leq I\$ 100 per DALY averted in LMICs



Increase **excise taxes and prices on tobacco** products



Increase **excise taxes on alcoholic beverages**



Good-buys: Effective interventions with cost effectiveness analysis \geq I\$ 100 per DALY averted in LMICs



Reduce sugar consumption through **effective taxation on sugar-sweetened beverages**

Invest

US\$ 1



Return

US\$ 7.43

Invest

US\$ 1



Return

US\$ 9.13

Why are Health Taxes Underutilized? Industry SCARE Tactics

**S
C
A
R
E**

Increased Smuggling & Illicit Trade

Court & Legal Challenges

**Anti-poor Rhetoric:
Negatively Impact the Poor**

Revenue Reduction

**Employment Impact is
Negative**



**SCARE TACTICS ARE
INDUSTRY CREATED MYTHS
THAT ARE MISLEADING, FALSE
OR EXAGGERATED**

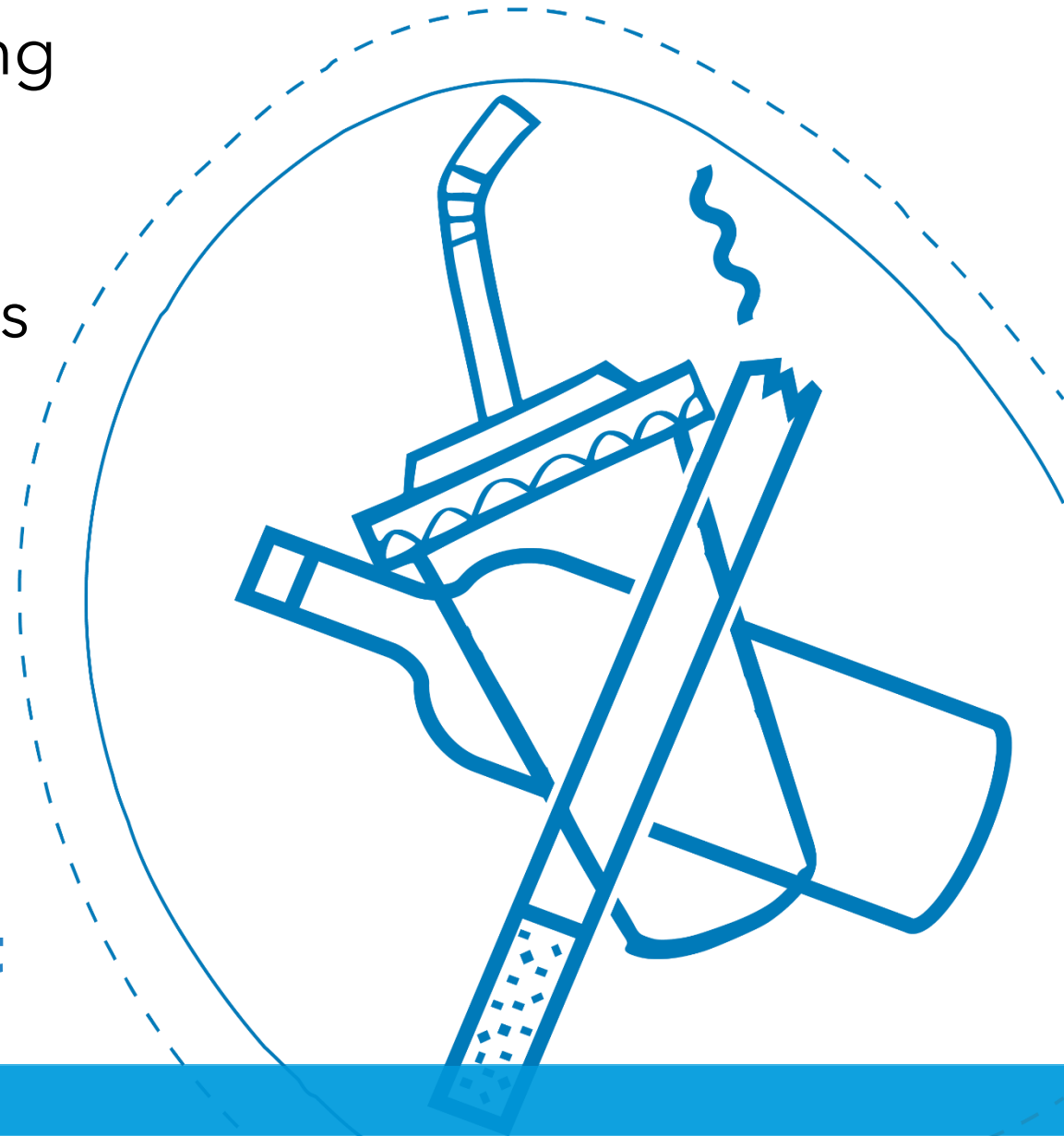
Concluding Remarks

Framing is important Consider framing health taxes as a health rather than revenue measure

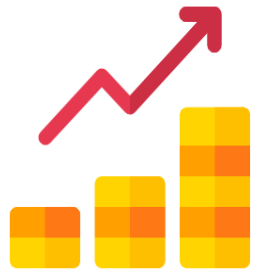
Tax Design Rely more on specific taxes which are simpler and easier to administer. Adjust rates to account for inflation and income effects

Medium Term Revenue Strategy
Include health taxes as an essential component in the MTRS

Tax administration and enforcement
Invest and strengthen them



Health Taxes can be Win-Win-Win-Win



Increase excise tax revenues → finance development priorities

✓ **WIN**



Reduce over consumption of products with negative health impact → **Improve health outcomes***
→ Improve productivity

✓ **WIN**



Reduce associated health care burden → increase financial viability of health systems

✓ **WIN**



Reduce disproportionate NCD risk in lower-income groups → **increase health equity**

✓ **WIN**

* Those with NCDs have higher risk of serious COVID complications



**Don't be SCARED.
Be Bold.
Go SMART Health Taxes!**

**H
W** **E** **A** **L** **T** **H**

Thank you!

<https://www.who.int/health-topics/health-taxes>