

'Fat taxes' in the UK: a briefing note

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On Tuesday 4th October the Prime Minister, David Cameron, announced that the Government should consider introducing a 'fat tax' to combat rising obesity in the UK.¹

This follows introduction of a 'fat tax' in Denmark at the beginning of October, and a 'junk food tax' in Hungary in September. France recently announced plans for a tax on sugary drinks. Denmark and Hungary are the first countries to introduce taxes on food with the specific aim of changing the national diet to improve health.

These moves towards legislation are a significant advance. The idea of a 'fat tax' was first mooted around ten years ago. A range of bodies (the UK Parliament's Health Select Committee, WHO, OECD) as well as academics have suggested that pricing measures, including taxation, should be considered. Attempts to introduce 'junk food' taxes in Romania, New Zealand, the US and elsewhere had met with fierce resistance from industry. A proposal to introduce a tax on sugar sweetened beverages in the US as part of the Obama healthcare reforms was dropped.

The term 'fat tax' and 'junk food tax' may be used to describe a tax levied on unhealthy food items with the aim of improving health. Such items are not necessarily items that are high in fat. The Hungarian junk food tax is levied on a broad range of items including food high in sugar and salt. Foods that will be taxed include chips, snacks, salted nuts, energy drinks, certain pre-packaged foods such as chocolates, candies, cakes, cookies, jams, ice creams and instant soups.

The Danish government will introduce a tax of 16 DKK (around £1.90) per kilogram of saturated fat in certain foods (meat, certain dairy products, some oils and margarines) later this year.²

Improvements in health from any such tax if well designed are likely to be broad, potentially impacting on diabetes, cardiovascular disease and cancer, as well as obesity.

There is a growing evidence base to support the introduction of such taxes. There are several international examples of how price changes brought about by the introduction or relapse of subsidies have affected consumption of key food items in turn affecting health. For example Poland experienced a marked reduction in cardiovascular disease in the 1990s associated with the ending of subsidies on butter and animal fats and greater access to fruit and vegetables.³

Studies where the price of food items in a closed environment has been manipulated show beneficial changes in consumption (for example changing the food prices to promote healthy eating in a staff canteen).^{4,5} As these studies are done in closed environments the overall effect on diet remains uncertain. For example might individuals eat less fruit and more snacks away from that environment in order to compensate?

Much work has also been conducted using economic and health data to model the effects of price changes from taxation on consumption, and make predictions about how this would impact on health. This shows that such taxes have significant potential to impact on public health. For example, a 20% soda tax in the USA would translate into an average weight loss of 1kg after a year.⁶ This would be sufficient to have a meaningful effect not only on obesity levels, but diabetes and cardiovascular disease too. Although the effects in the UK of such a tax would likely be less – as soda consumption in the UK is lower than in America.

Modelling research conducted by the British Heart Foundation Health Promotion Research Group has suggested that in the UK a tax purely on food items high in saturated fat (such as the Danish proposal) would not be the best approach. Consumers might shift away from high fat items to high salt items, and the overall effect on cardiovascular health would be negative. There might also be a shift away from fruit and vegetables.

A better approach in the UK would be to tax unhealthy food items, based on consideration of the overall nutritional quality of the food including its saturated fat content, salt and added sugar content,⁷ similar to the Hungarian approach. Subsidies on fruit and vegetables should also be

considered.⁸ Another sensible approach would be to tax sugar sweetened beverages. The case for taxation appears strong.⁹ There is strong evidence linking consumption of sugar sweetened beverages both to obesity and diabetes.

A common criticism of health-related taxes for food, and tobacco and alcohol, is their regressive nature. The poorest members of society are more price-sensitive and experience a higher incidence of obesity and cardiovascular disease, so are more likely to benefit in health terms. The impact on the poor is of particular concern with rising worldwide food prices and a fall in real disposable incomes.¹⁰ Wider changes to the taxation-benefit system could mitigate the regressive nature of any such tax.

References and notes

¹ For example: see http://www.huffingtonpost.co.uk/2011/10/04/government-to-consider-f_n_993833.html

² For example this would equate to an increase of around £0.32 on 250g of butter. Full details at: <http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/Global-indirect-tax-brief/Documents/issue-22-countries/gitb-22-denmark.pdf>

³ Zatonski WA, McMichael AJ, Powles JW. Ecological study of reasons for sharp decline in mortality from ischaemic heart disease in Poland since 1991. *BMJ* 1998; **316**: 104751.

⁴ French SA, Jeffery RW, Story M et al. Pricing and promotion effects on low-fat vending snack purchases: the CHIPS Study. *Am J Public Health* 2001; **91**: 112–17.

⁵ Block JP, Chandra A, McManus KD, Willet WC. Point-of-purchase price and education intervention to reduce consumption of sugary soft drinks. *Am J Public Health* 2006; **100**:1427-33.

⁶ Hall KD, Sacks G, Chandramohan D et al. Quantification of the effect of energy imbalance on bodyweight. *Lancet* 2011;m378:826-37.

⁷ Mytton O, Gray A, Rayner M, Rutter H. Could targeted food taxes improve health? *J Epidemiol Community Health* 2007; **61**: 689–94.

⁸ Nnoaham KE, Sacks G, Rayner M, Mytton O, Gray A. Modelling income group differences in the health and economic impacts of targeted food taxes and subsidies. *Int J Epidemiol* 2009; **38**:1324–1333.

⁹ Brownell KD, Frieden TR. Ounces of prevention--the public policy case for taxes on sugared beverages. *N Engl J Med* 2009; **360**: 1805-08.

¹⁰ Lock K, Stuckler D, Charlesworth K, McKee M. Potential causes and health effects of rising global food prices. *BMJ* 2009; **339**: b2403