

Taxing junk food: applying the logic of the Henry tax review to food

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The recent report on taxation in Australia — the Henry tax review — recommended that the federal government increase the taxes already levied on tobacco and alcohol, on the basis that this is the best way of reducing the social harms caused by the use and misuse of these substances.¹ For reasons not explained in the review, there is no similar scheme recommended for junk food, despite similar patterns of misuse and equally great social costs.

Validated nutrient profiling models describe the foods that are highest in sugar, salt and fats.² We use the term junk food to designate the worst foods in this grouping — foods with little or no nutritional value, such as potato chips, confectionery and soft drinks.

Analogies between taxing junk food and taxing tobacco and alcohol

According to the Henry tax review, taxation of tobacco products is justified by their highly addictive qualities and serious health impacts.¹ It is also justified given the costs borne by the community as a result of tobacco consumption.³

Taxation of tobacco products has been shown to reduce the rate and intensity of smoking, and has proved to be an effective tool in curbing harmful behaviour. It has also generated revenue for addressing the wider community costs.¹ The costs borne by the community due to tobacco consumption include those of passive smoking — not just as a public nuisance but also as a disease-causing exposure — as well as the increased costs of health care for smokers that are borne by all taxpayers.

The Henry tax review acknowledges that taxing tobacco products is an imperfect means of addressing the spillover costs of social harm and the burden of disease; however, it believes that it is the “best instrument available” for this purpose.¹ In contrast, it rejects the idea of a tax on fatty foods. While it may be suggested that junk food is not as inherently harmful as tobacco, we believe the review’s arguments for taxing tobacco products apply equally to junk food, making junk food a candidate for a similar form of taxation. Tobacco and junk food show similar price elasticity.⁴ There are clear analogies between tobacco products and junk food in their addictiveness, health impacts and costs to the community. Given that taxing tobacco products reduces the rate and intensity of smoking, we would expect a tax on junk food to have a similar effect on junk food consumption.

The Henry tax review’s recommendations for taxing alcohol products can also apply to junk food. Although alcohol products may possess some health benefits,⁵ the tax on alcohol products set out in the review, like that on tobacco products, is designed to curb misuse and to address its costs to society. As for tobacco products, the review notes that taxing alcohol products is not the ideal measure to address the issue of social harm, but argues that “in the absence of a better targeted instrument ... a tax on consumption can improve welfare”.¹

Junk food and obesity

In recent years, obesity has overtaken smoking as the leading cause of premature death and illness in Australia. More than 60% of

ABSTRACT

- The recent review of taxation in Australia — the Henry tax review — has recommended that the federal government increase the taxes already levied on tobacco and alcohol.
- Tobacco and alcohol taxes are put forward as the best way of reducing the social harms caused by the use and misuse of these substances.
- Junk foods have the same pattern of misuse and the same social costs as tobacco and alcohol.
- The Henry tax review rejects the idea of taxing fatty foods, and to date the government has not implemented a tax on junk food.
- We propose that a tax on junk food be implemented as a tool to reduce consumption and address the obesity epidemic.

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Australian adults and one in four children are overweight or obese.⁶ Evidence suggests that the obesity epidemic in Australia and around the world is predominantly the result of over-consumption of food rather than a reduction in overall physical activity.⁷ Curbing this over-consumption — of junk food in particular — must be a central component of any obesity prevention strategy.

Studies investigating the addictive nature of sugar, a key component of junk food, have shown that sugar produces neurotransmitter changes similar to those of addictive narcotics, adding weight to the argument that junk foods are addictive.⁸ Most people who try to lose weight through behaviour modification alone fail to do so, and those who have moderate success commonly fail to maintain weight loss in the long term.⁹ Junk food consumption provides short-term benefits, such as feelings of pleasure. However, these come at significant cost both to the individual, through serious illness and premature death,¹⁰ and to society, through higher health care costs borne by taxpayers¹¹ and the impact on climate created by processing, packaging, transport and waste.

Data suggest that increasing the cost of junk food through taxation can reduce consumption. A United States study estimated that a 10% increase in soft drink prices could reduce consumption by 8%–10%.¹⁰ A US Department of Agriculture study estimated that a 10% price increase on salty snacks could reduce average body weight by 0.1–0.5 kg per year and generate US\$1 billion in revenue. (This study also predicted that a 10% reduction in prices of fruits and vegetables would increase purchases by 7.0% and 5.8%, respectively.¹²)

The US Senate Committee on Finance is currently considering a proposal for a tax on sodas (soft drinks) and other high-sugar drinks, including energy drinks and artificial juices. The District of Columbia is considering a bill to tax all sweetened beverages. The aims of these schemes are to raise revenue and combat obesity. Unsurprisingly, these proposals have met with strong opposition from the US soda industry, which claims that such taxes would hurt “hard-working, low- and middle-income families, elderly

residents and those living on fixed incomes” and would destroy jobs.¹³ Arguments of this sort were raised by the tobacco industry when tobacco taxation was first proposed. Industry will always claim that change will have negative consequences. It has a responsibility to shareholders to resist any change that might interfere with profits, even if the change would be for the greater public good.

Why doesn't the federal government tax junk foods?

The National Preventative Health Taskforce (NPHT) report recommended that the federal government review current tax policies to encourage healthier eating.¹⁴ However, in its response to the report, the government deflected the proposal, noting that it did not intend to use tax policies to further the goal of healthier consumption.¹⁵ We acknowledge that the government faces barriers to introducing such a tax, particularly its impact on the simplicity of the goods and services tax (GST) and on household budgets. However, neither of these issues has been considered sufficiently important to prevent taxes on tobacco and alcohol, which have similar effects on the GST and the budgets of people in lower socioeconomic groups. More important to government, it seems, is the strong industry opposition to taxes of this sort.

The food industry plays a fundamental role in the nutrition policies that the government has formulated in response to the NPHT report. For instance, the report recommends systemic changes to “[d]rive change in the food supply to increase the availability and demand for healthy food products, and decrease the availability and demand for unhealthy food products”.¹⁴ The government’s reply was to create the Food and Health Dialogue and an Industry Partnership. The Dialogue is a grouping of federal and state governments, the food industry and two health consumer groups that will examine ways to reformulate food, reduce portion sizes and increase consumer knowledge to encourage healthier consumption. The Industry Partnership will gather information on nutrient profiling and consumption patterns, and share information (with public health advocates) for “collaborative approaches to support healthy eating and physical activity”.¹⁵ The prominent place of industry representatives in each of these policies suggests that the government is more interested in securing corporate profits than actually reducing the prevalence of obesity in Australia.

Conclusion

It is highly unlikely that the federal government will accept a tax on junk foods, irrespective of the compelling arguments in its favour. The government will more likely continue to construct obesity as a problem of individual behaviour change rather than one requiring comprehensive interventions to existing social and economic practices. This approach aligns with industry objectives and allows industry to appear to be responding to the problem.¹⁶ The results will probably be the softest forms of regulation, such as voluntary targets. This is already obvious in the political support for interventions aimed at increasing exercise, and government equivocation on recommendations such as limiting the exposure of children to advertising of certain foods — which might require legislation. The deeper concern with the federal government’s proposed committee structure to respond to the NPHT recommendations is that it will serve to distract the public health movement from pursuing its authentic goals, because there will be problem-

atic industry initiatives that will require informed responses. We hope that the efforts of the public health community are not consumed in responding to government–industry initiatives that are almost certain to have no effect on the obesity epidemic.

Competing interests

None identified.

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