

Tax White Paper Task Force,
The Treasury
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Submission: Tax White Paper

The following organisations have formed an alliance to make this submission on the Government's *Re:Think Better Tax, Better Australia* discussion paper:

Discipline of Medicine, University of Adelaide
Heart Foundation South Australia
South Australian Health and Medical Research Institute
School of Health Sciences, Flinders University

Diet-related ill health, especially obesity, has become one of Australia's most pressing public health issues. Australia is one of the most overweight developed nations, with over 60% of adults and one in four children overweight or obese.¹ The Australian Dietary Guidelines recommend limiting intake of food and drinks containing added sugars, in particular sugar sweetened beverages (SSB). Good evidence demonstrates a consistent link between higher consumption of SSB and excess energy intake leading to overweight and obesity, in both adults and children

We wish to raise two specific recommendations directly related to achieving our mission of reducing the growing epidemic of overweight and obese Australians.

Tax measures and financial incentives can and do play a highly significant role in reducing the social and economic impact of both acute and chronic disease. This has been clearly demonstrated through taxation on tobacco, with tax increases playing a major part in reducing mortality and morbidity caused by tobacco smoking.

As the World Bank has pointed out, tax increases on tobacco products are the single most effective means available to governments to reduce death and disease caused by smoking.²

¹ Commonwealth of Australia. Technical Report No 1: Obesity in Australia: a need for urgent action. Prepared for the National Preventative Health Taskforce by the Obesity Working Group: 2008

² World Bank (1999), *Curbing the Epidemic: Governments and the Economics of Tobacco Control*

We strongly encourage the Australian Government to use taxation measures as corrective measures to improve the health of the Australian population.

Summary of recommendations

We recommend the Australian Government:

- Maintain current GST exemptions on food to promote healthy eating
- Consider tax options to increase the price of sugar-sweetened beverages, with the aim of changing purchasing habits and achieving healthier diets

1. GST on food

In Australia, diet-related risk factors are the leading cause of disease burden and the recent Australian Health Survey demonstrates that Australian diets require urgent attention.

More than 30% of energy comes from unhealthy (discretionary) foods while less than 7% of people eat the recommended amount of fruit and vegetables. We need tax options that improve this disconnect, not widen it.

Arguments for changes to the current GST-exemptions for food centre on the opportunities for revenue generation in broadening the GST base, and highlight inconsistencies and administrative burden in how the GST is applied (see pizza example, p138, Box 8.1 in *Re:Think* discussion paper).

We recognise the complexities associated with Australia's tax system and do not oppose tax reform, however it is vital that changes to tax arrangements do not introduce additional barriers to healthy eating with subsequent risks for health outcomes.

Applying the GST to fresh or core food may result in reduced consumption of core foods, such as fruit and vegetables, with subsequent implications for dietary quality of Australians.

The current GST arrangements in Australia exempt many of the core foods identified in the Australian Dietary Guidelines as core to a healthy diet (such as fruit and vegetables), while many discretionary style foods (such as sugary drinks) carry the GST.³

The price differential achieved in existing GST arrangements could be considered as a tax on unhealthy foods, although it is recognised that the GST was not intended for this purpose, and some products which don't currently attract the GST are not core food.

³ Current GST arrangement exempts many of the core foods identified by the Australian Dietary Guidelines, with some exceptions like cooking ingredients (sugar, flour), spreads for bread (such as honey, jam and peanut butter).

Research into food and beverage taxes and subsidies consistently suggests that a tax or subsidy influences consumer behaviour in the intended direction. That is, a tax reduces consumption and a subsidy increases it.

Modelling in Australia has demonstrated that a 10% GST on fruit and vegetables would result in an almost 5% decrease in fruit and vegetable consumption, potential resulting in a cost of 100,000 healthy life-years and an additional 90,000 cases of heart disease, stroke and cancer.⁴

In view of the evidence, consideration must be made that broadening the GST base to some of these core foods could be considered a tax on 'healthy foods' as extending the GST may remove the price differential between some core and non-core foods.

Applying the GST to some of these core foods (such as fruit and vegetables) may result in reduced consumption of those foods with adverse implications for health outcomes.

We do not support any changes to the GST or other tax arrangements which increase the price of healthy foods and have the potential to negatively impact on the health outcomes of all Australians.

In the event that changes to the GST in relation to food were to be considered. The following is recommended:

- Dedicated consultation with nutrition and health groups (including non-government organisations and academia) to ensure that the full extent of health impacts related to food price change is understood.
- GST exemptions should be structured to achieve a price differential between core and discretionary foods, as defined by the Australian Dietary Guidelines.
- At a minimum, fruit and vegetables must remain exempt and sugary drinks remain taxable.

2. GST on sugar-sweetened beverages

We strongly oppose changes to the GST that will impact on healthy food prices, there is an opportunity to change behaviour and reduce excess sugar consumption by introducing a levy on sugary-sweetened beverages ('sugary drinks').

Currently, sugary drinks are identified as taxable foods under exiting GST arrangements. It should be noted that the application of GST to sugary drinks in 2000 saw a reduction in tax on this food product, as the previous wholesales tax was levied at 20%.

⁴ <https://www.mja.com.au/journal/2013/199/8/removing-gst-exemption-fresh-fruits-and-vegetables-could-cost-lives#2>

Sugary drinks are defined as “all non-alcoholic water based beverages with added sugar, including sugar-sweetened soft drinks, energy drinks, fruit drink, sports drinks and cordial. This term does not include milk-based products, 100% fruit juice or non-sugar sweetened beverages (ie, artificial, non-nutritive or intensely sweetened)”.⁵

Evidence suggests that applying a 20% tax to sugar-sweetened beverages would reduce consumption by 24%.⁶

The European Regional Office of the World Health Organisation (WHO) recent report - *Using prices policies to promote healthier diets* - sets out a case for using taxation as a means to promote healthier diets. It provides an overview of existing policies in place in Europe, concluding:

*... when considered as a whole and in the light of net health and societal benefits, price policies still figure as an important tool in tackling unhealthy diets and NCDs [non-communicable, or chronic disease]. From the evidence, taxes on sugar-sweetened beverages and targeted subsidies on fruit and vegetables emerge as the policy options with the greatest potential to induce positive changes in consumption...*⁷

The Heart Foundation has supported calls for investigation into taxation options to reduce sugary drink consumption through the *Rethink Sugary Drink* consensus statement and campaign.⁸ This campaign aims to increase awareness on sugary drink consumption in Australia, and calls on Commonwealth, state and territory governments to support measures to reduce consumption.

We wish you well with your deliberations and would be keen to assist with any inquiries you may have. Our contact officer is Ms Tuesday Udell, Senior Policy Advisor, Heart Foundation 08 8224 2863.

⁵ Cancer Council, Heart Foundation, Diabetes Australia Victoria – Consensus Statement Rethink Sugary Drink

⁶ <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC3731509/>

⁷ <http://www.euro.who.int/en/publications/abstracts/using-price-policies-to-promote-healthier-diets-2015>

⁸ Rethink Sugary Drink www.rethinksugarydrink.org.au

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Gary Wittert', with a stylized flourish at the end.

Professor Gary Wittert, Head of Discipline of Medicine, University of Adelaide

A handwritten signature in blue ink, appearing to be 'Amanda Rischbieth', written in a cursive style.

Dr Amanda Rischbieth, Chief Executive, Heart Foundation South Australia

A handwritten signature in blue ink, appearing to be 'Steve Wesselingh', written in a cursive style.

Professor Steve Wesselingh, Executive Director, South Australian Health and Medical Research Institute

A handwritten signature in black ink, appearing to be 'John Coveney', written in a cursive style.

Professor John Coveney, Dean of School of Health Sciences, Flinders University