

Fiscal policies and global public health

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In his Correspondence on fiscal policies and the gilets jaunes, Franco Sassi¹ argued that policy makers should consider using hypothecation (earmarking) to increase public acceptance of taxes levied on unhealthy products such as tobacco, alcohol, and sugar-sweetened beverages.

The Philippines offers a real-world example: revenue from tobacco and alcohol taxes instituted in 2012 has been used to directly fund non-communicable disease programmes (strong hypothecation) as well as supporting broader universal health coverage efforts (weak hypothecation).² In the UK, the abrupt news that sugar-sweetened beverages were going to be taxed was softened by the announcement that revenue would be used to boost physical activity in schools.³ It is important to appreciate that hypothecating revenue involves a trade-off between public acceptance and fiscal flexibility. Treasury departments much prefer fungible revenue and might be less willing to support the health ministry in promoting the idea of new health and environmental fiscal measures if hypothecation is overly restrictive.

Some examples of non-excise taxes that can be used to promote human and environmental health are also worth mentioning. Sassi alluded to subsidies for fruits and vegetables, but there is also scope to reform VAT bandings—for instance, applying zero rating to healthy products and ensuring that products like cigarettes and red meat are taxed at higher rates in countries that use multi-tier systems.

How quickly the global tax climate has changed is striking; it seems like only yesterday that Samoa's accession to the World Trade Organization was delayed on the basis of health-related tariffs imposed on atherogenic turkey tails.⁴ In an increasingly protectionist fiscal environment, erecting physical and fiscal barriers is suddenly in vogue. Countries like the UK that find themselves deep in behind-the-border trade agreements should capitalise on the trend and adopt a stronger public health stance when negotiating tax and trade policies that influence health. Riding a global wave of populist revolt, President Trump has inadvertently ushered in what could be a golden era for health-related fiscal measures.

References

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