



**Australian Chronic Disease Prevention Alliance
Submission to Re:think Tax Review
June 2015**

1. About ACDPA

The Australian Chronic Disease Prevention Alliance (ACDPA) is an alliance of the five leading non-government health organisations working together in the prevention of chronic diseases including kidney disease, heart attack, stroke, diabetes and cancer. Our emphasis is on the shared risk factors of poor nutrition and physical inactivity. The members of the alliance are: National Stroke Foundation, Cancer Council Australia, National Heart Foundation, Kidney Health Australia and Diabetes Australia.

2. Overview

ACDPA welcomes the opportunity to respond to the Australian Government's Re:think Tax Discussion Paper. ACDPA's interest in this review relates to the potential impact of changes to the taxation system on the nutritional and physical activity behaviour of the population, and the consequent long-term health outcomes for Australia.

This submission makes recommendations in relation to three questions:

Q51. To what extent are the tax settings for the GST appropriate? What changes, if any, could be made to these settings to make a better tax system to deliver taxes that are lower, simpler, fairer?

Recommendations

- ACDPA strongly recommends the retention of the GST exemption on core foods such as fresh fruits and vegetables.
- GST exemptions should be structured to achieve a price differential between core and discretionary foods, as defined by the Australian Dietary Guidelines.
- If government does proceed with consideration of changes to the GST in relation to food, ACDPA recommends formal consultation with nutrition, health and industry groups (including NGOs, academia and industry) to ensure that the full extent of health impacts related to food price change is understood.

Q 54. To what extent does Australia have the appropriate mix of taxes on specific goods and services? What changes, if any, could improve this mix?

Recommendation

- ACDPA recommends that government investigate the introduction of a corrective tax on products that contribute to overweight and obesity, such as sugar sweetened beverages, to improve health outcomes.

Q 7: What should our fringe benefits tax system look like and why?

Recommendation

- Provide fringe benefits tax exemption for sporting and health club memberships, fees paid to accredited exercise professionals, bicycle purchases and public transport use.

3. Detailed discussion

Q51. To what extent are the tax settings for the GST appropriate? What changes, if any, could be made to these settings to make a better tax system to deliver taxes that are lower, simpler, fairer?

The impact of diet on Australia's health

In Australia, diet-related risk factors are the leading cause of disease burden, ahead of smoking¹. Rates of overweight and obesity across the Australian population, and across all age groups, have increased over recent decades². Currently 63% of Australian adults are overweight or obese, and around a quarter of Australian children are already overweight or obese³. Over 75% of the Australian population is likely to be overweight or obese by 2025 if current trends continue⁴. The recent Australian Health Survey highlighted that more than 30% of energy in the diet of Australians comes from unhealthy foods while less than 7% of people eat the recommended amount of fruit and vegetables³.

If obesity and overweight continue to rise, the impact on the economy will be significant, with recent estimates calculating the cost of obesity to the Australian economy at \$58 billion in 2008⁵. There is a significant risk that the next generation will have a shorter lifespan than their parents as a result of diet-related diseases such as diabetes, cardiovascular disease and cancer. Given this significant projected cost to the community, to individuals and to the economy, ACDPA believes that it is vital to consider the potential impact of changes to the GST on the food and beverage purchasing behaviour of the population.

The risk of applying GST to fresh foods

The Re:Think Tax Discussion Paper makes a compelling argument for simplification of the GST and increasing of government revenue by making changes to the current GST-exemptions. However, ACDPA believes it is vital that changes to tax arrangements do not introduce additional barriers to healthy eating with subsequent risks for health outcomes.

There is growing evidence to suggest that a tax or subsidy on food can influence purchasing habits and weight outcomes if they are well targeted, demand is reasonably elastic and healthier alternatives are readily available⁶. This is noted in the Re:Think Tax Discussion Paper (p 138) in the discussion on the complexity of the current GST. '*Exemptions to the GST base reduce the efficiency of the tax. Taxing some goods and services but not others changes the relative prices of taxed and non-taxed goods, which distorts consumer decisions about which goods and services they buy.*'

The current GST system in Australia exempts many healthy foods such as fruit and vegetables, which have been identified in the Australian Dietary Guidelines⁷ as core to a

healthy diet, while many foods high in energy but low in nutritional value (such as sugar sweetened beverages) carry the GST.

Modelling in Australia has demonstrated that introduction of a 10% GST on fruit and vegetables would result in an almost 5% decrease in fruit and vegetable consumption, potentially resulting in a cost of 100,000 healthy life-years and an additional 90,000 cases of heart disease, stroke and cancer⁸. This increased level of chronic disease was estimated to cost the health sector an additional \$1.8 billion⁸.

Fairness

Fairness considerations are also a factor for consideration. Applying the GST to fresh fruit and vegetables would impose a proportionally greater burden on low income families as they spend a greater proportion of their income on GST exempt foods, medical products and health services than people on higher incomes, despite all households spending a similar proportion of their total spending on GST exempt goods and services in aggregate⁹.

Recommendations

In view of the evidence, consideration must be made that broadening the GST base to include core foods such as fresh fruits and vegetables would operate as a tax on 'healthy foods' by removing the price differential between core foods and foods that are high in energy but low in nutrients, potentially leading to unintended negative health outcomes for the Australian population.

- **ACDPA strongly recommends the retention of the GST exemption on core foods such as fresh fruits and vegetables.**
- **GST exemptions should be structured to achieve a price differential between core and discretionary foods, as defined by the Australian Dietary Guidelines.**
- **If government does proceed with consideration of changes to the GST in relation to food, ACDPA recommends formal consultation with health (including NGOs and academics) and industry groups to ensure that the full extent of health impacts related to food price change is understood.**

Q 54. To what extent does Australia have the appropriate mix of taxes on specific goods and services? What changes, if any, could improve this mix?

Corrective taxes provide an opportunity to raise revenue and improve health outcomes

Taxes on tobacco are the second largest, in terms of revenue raised, of the indirect taxes (excluding GST)¹⁰. As smoking rates decline, this significant revenue stream will decrease. ACDPA believes this creates an opportunity for government to introduce other corrective taxes that will, in a similar way to the tobacco tax, encourage the uptake of healthy behaviours, while providing a significant revenue source for government.

The problem of sugar sweetened beverages

Sugar sweetened beverages are defined as "all non-alcoholic water based beverages with added sugar, including sugar-sweetened soft drinks, energy drinks, fruit drinks, sports drinks and cordial. This term does not include milk-based products, 100% fruit juice or non-sugar sweetened beverages (i.e. artificial, non-nutritive or intensely sweetened)"¹¹.

Research has shown a consistent association between the consumption of sugar sweetened beverages, increased energy intake, weight gain, overweight and obesity, among both adults and children¹²⁻¹⁴. In Australia, the average volume of sugar sweetened beverage consumed annually by adults and children has increased from 47 litres per person in the 1970s to an average of 113 litres per person annually in recent years¹⁵. As mentioned above, obesity and overweight are significant contributors to the burden of disease in the Australian population.

International evidence supports consideration of a corrective tax

There has been increasing international emphasis in recent years on using taxes to increase the price of unhealthy products, to reduce consumption. Several countries have enacted food taxes to improve population health, most notably Mexico, France, Hungary and a number of countries in the Western Pacific^{16, 17}. Mexico's tax of approximately 10% on sugar-sweetened beverages was implemented in January 2014 and preliminary data suggests that consumption rates have fallen while consumption of healthier drinks has increased¹⁸. The evaluation of the tax in Hungary which applies to food high in sugar, fat and caffeine found that after implementation, companies surveyed had reformulated products, sales of taxed products decreased by 25% and consumption decreased between 25-35% compared to the previous year¹⁹.

The European Regional office of the World Health Organization (WHO) also recently produced a report *Using prices policies to promote healthier diets*. The WHO sets out a case for using taxation as a means to promote healthier diets, and provides an overview of existing policies in place in Europe, concluding:

Nevertheless, 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. 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... (page 34, 2015)²⁰.

Economic modelling supports consideration of a corrective tax

Since 2013, published economic modelling of the population health impacts of a tax on sugary drinks in jurisdictions including Australia, India, the UK, New Zealand and South Africa have predicted that a 20% tax would effectively decrease consumption and have significant impacts on population health, even after substitution effects to other beverages (such as fruit juice, milk, coffee and tea) and sugary foods are considered²¹⁻²⁶.

Implications for policy development

It is important to note that, to be effective, corrective taxes must operate in the context of broader policies designed to achieve the desired behaviour change²⁰. Reducing consumption of sugar sweetened beverages would require a coordinated set of policy measures, targeting individual and environmental drivers of consumption²⁷. Examples of a comprehensive approach include restricting sale of sugar sweetened beverages in settings where children are located such as schools and sporting venues, in addition to public education campaigns.

Recommendation

- **ACDPA recommends that government investigate the introduction of a corrective tax on products that contribute to overweight and obesity, such as sugar sweetened beverages, to improve health outcomes.**

Q7. To what extent are the concessions and exemptions in the fringe benefits tax system appropriate?

The current fringe benefits tax system allows employees to accrue benefits relating to subsidised cars. One unanticipated outcome of this policy is the inadvertent promotion of excessive driving, which increases sedentary behaviour. The current fringe benefits tax system includes some fitness benefits, however these are extremely restrictive and limited to recreational facilities located on business premises. ACDPA believes that this review presents an opportunity to investigate the potential to use the fringe benefits tax system to drive healthier behaviours and make a significant impact on the health of Australians.

The problem of physical inactivity

Physical inactivity contributes to almost one-quarter of the burden of cardiovascular disease in Australia (24%) and is a known risk factor for other chronic diseases, including cancer, diabetes and kidney disease²⁸. The mortality burden caused by inactivity has been compared to that of smoking²⁹. More than a third (36%) of Australians aged 15 and over do very little or no exercise at all and physical activity levels in both adults and children are lower in Australia than in those of most comparable countries³⁰. Since 2001, the proportion and number of Australians doing very little or no exercise has continued to increase³¹. If left unchecked, these low levels of physical activity will drive up chronic diseases, including heart disease, type 2 diabetes and some cancers.

In the United Kingdom, ill health related to physical inactivity was calculated to cost the country £900 million in one year alone (2006-07). This was made up of £542 million in cost for heart disease, £158 million for type 2 diabetes, £117 million for stroke and £119 million for breast and colorectal cancer. The total costs of physical inactivity in the UK have been estimated at £10 billion a year³².

Evidence suggests a high return on investment for physical activity programs

Participating in regular physical activity can reduce cardiovascular disease-related deaths by up to 35%. Large population studies have repeatedly demonstrated that increased rates and intensity of physical activity are associated with greater risk reduction.

A recent review of 18 separate economic analyses of physical activity programs across 7 countries including Australia concluded that the interventions were good value for money or even cost saving compared with alternatives³³.

International experience supports the introduction of fringe benefit tax concessions for physical activity

It is widely accepted that price influences behaviour and choices. To this end Federal and provincial governments in Canada have introduced several “tax credits” designed to incentivise healthy behaviours. These include the Federal Government’s Children’s Fitness Tax Credit, which was doubled from \$500 per annum to \$1000 per annum in 2015, Nova Scotia’s Healthy Living Tax Credit and Saskatchewan’s Active Families Benefit. All of these schemes provide financial support for people to participate in physical activity. To date, no substantive evaluation of the effectiveness of these programs has been undertaken.

In the United Kingdom, the Government-funded Cycle to Work program provides subsidies for the purchase of bicycles to enable people to cycle to work. Primarily, an instrument to increase public transport utilisation, the program also encourages physical activity. An evaluation of the UK cycle to work program by the Cycle to Work Alliance (2011) found that 61 per cent of participants had not cycled to work before using the scheme³⁴.

Recommendation

ACDPA recommends that the Federal Government should explore opportunities for incentivising physical activity through Australia's fringe benefits tax system. Particular consideration should be given to:

- **Provide fringe benefits tax exemption for sporting and health club memberships, fees paid to accredited exercise professionals, bicycle purchases and public transport use.**

4. Contact details

Ruth Friedman
Executive Officer
rfriedman@strokefoundation.com.au

0422 422 142

5. References

1. Institute for Health Metrics and Evaluation, Global burden of Disease Country Profile data for Australia (2014), available at www.healthmetricsandevaluation.org
2. Australian Bureau of Statistics, 4125.0 – Gender Indicators, Australia January 2013, Overweight / Obesity
3. Australian Bureau of Statistics, Australian Health Survey: Updated Results, 2011-2012
4. Haby, M and Marwick, A (2008) Future prevalence of overweight and obesity in Australian children and adolescents, 2000-2025. Victorian Department of Human Services.
5. Access Economics. The growing cost of obesity in 2008. Diabetes Australia: Canberra, 2008.
6. Powell L et al, Assessing the Potential Effectiveness of Food and Beverage Taxes and Subsidies for Improving Public Health: A Systematic Review of Prices, Demand and Body Weight Outcomes, Obesity Review 2013; 14(2):110-128
7. Australian Dietary Guidelines (2013) National Health and Medical Research Council. No. N55 Canberra
8. Veerman J and Cobiac L. Removing the GST Exemption for Fresh Fruits and Vegetables Could Cost Lives. (2013); 199(8) *Med J Aust*, 534-535
9. Australian Bureau of Statistics 2011 Household Expenditure Survey, Australia: Detailed Expenditure Items, 2009-10. ABS Cat. No.6530.0 Canberra: ABS, cited in

-
- Australian Institute of Health and Welfare. Australia's Food and Nutrition 2012. Australian Government. 2012 Cat. No. PHE 163, p.95
10. Australian Government 2014, *2013-2014 Final Budget Outcome*, Australian Government Canberra, p 5, cited in Re:think Tax Discussion Paper, March 2015
 11. Consensus Statement: Rethink Sugary Drinks, Cancer Council, Diabetes Australia, Heart Foundation, 2015
 12. Vartanian LR, Schwartz MB, Brownell KD. Effects of soft drink consumption on nutrition and health: a systematic review and meta-analysis. *Am J Public Health* 2007; 97(4): 667-75.
 13. Malik VS, Schulze MB, Hu FB. Intake of sugar-sweetened beverages and weight gain: a systematic review. *Am J Clin Nutr* 2006; 84(2): 274-88.
 14. Woodward-Lopez G, Kao J, L. R. To what extent have sweetened beverages contributed to the obesity epidemic? . *Public Health Nutr* 2010; 23: 1-11.
 15. Gill T., Rangan A., Webb T. The weight of evidence suggests that soft drinks are a major issue in childhood and adolescent obesity. *MJA* 2006; 184(6): 263-364
 16. Villanueva T. European nations launch tax attack on unhealthy foods. *CMAJ* 2011; 183(17): E1229-30.
 17. Thow AM, Quested C, Juventin L, Kun R, Khan AN, Swinburn B. Taxing soft drinks in the Pacific: implementation lessons for improving health. *Health Promot Int* 2011; 26(1): 55-64.
 18. Secretaria De Salud. Resultados preliminares sobre los efectos del impuesto de un peso a bebidas azucaradas en Mexico. 2014. Retrieved from: <http://www.insp.mx/epppo/blog/preliminares-bebidas-azucaradas.html> on 20 March.
 19. World Health Organization. Global status report on noncommunicable diseases. World Health Organization: Geneva, 2014.
 20. <http://www.euro.who.int/en/publications/abstracts/using-price-policies-to-promote-healthier-diets-2015>
 21. Ni Mhurchu C, Eyles H, Genc M, Blakely T. Twenty percent tax on fizzy drinks could save lives and generate millions in revenue for health programmes in New Zealand. *N Z Med J* 2014; 127(1389): 92-5.
 22. Briggs A. Overall and income specific effect on prevalence of overweight and obesity of 20% sugar sweetened drink tax in UK: econometric and comparative risk assessment modelling study. *Br Med J* 2013; 13: 347.
 23. Basu S, Vellakkal S, Agrawal S, Stuckler D, Popkin B, Ebrahim S. Averting obesity and type 2 diabetes in India through sugar-sweetened beverage taxation: an economic-epidemiologic modeling study. *PLoS Med* 2014; 11(1): e1001582.
 24. Manyema M, Veerman LJ, Chola L, Tugendhaft A, Sartorius B, Labadarios D, Hofman KJ. The potential impact of a 20% tax on sugar-sweetened beverages on obesity in South African adults: a mathematical model. *PLoS One* 2014; 9(8): e105287.
 25. Thow AM, Downs S, Jan S. A systematic review of the effectiveness of food taxes and subsidies to improve diets: understanding the recent evidence. *Nutr Rev* 2014; 72(9): 551-65.
 26. Finkelstein EA, Zhen C, Bilger M, Nonnemaker J, Farooqui AM, Todd JE. Implications of a sugar-sweetened beverage (SSB) tax when substitutions to non-beverage items are considered. *J Health Econ* 2013; 32(1): 219-39.

-
27. Hattersley L and Hector D (2008) Building solutions for preventing childhood obesity. Module 1: Interventions to promote consumption of water and reduce consumption of sugary drinks. Available at http://www.coo.health.usyd.edu.au/pdf/2008_module1.pdf.
 28. Begg SJ, Vos T, Barker B et al. Burden of disease and injury in Australia in the new millennium: measuring health loss from diseases, injuries and risk factors. *Med J Aust* 2008; 188:36-40
 29. Chi Pang Wen, Wu X. Stressing harms of physical inactivity to promote exercise. *Lancet* 2012; 380(9838): 192-193. Epub 2012 Jul 21.
 30. Active Healthy Kids Australia (2014). Is sport enough? The 2014 active healthy kids Australia report card on physical activity for children and young people. Adelaide: Active Healthy Kids Australia.
 31. Australian Bureau of Statistics, Australian Health Survey: Physical Activity, 2011-12. Cat. No. 4364.0.55.004. Canberra: ABS, 2013
 32. British Heart Foundation National Centre of Physical Activity and Health. Making the case for physical activity: evidence briefing. BHF National Centre of Physical Activity and Health, 2013:1.
 33. Wolfenstetter SB, Wenig CM. Costing of physical activity programmes in primary prevention: a review of the literature. *Health Econ Rev* 1.1 2011: 1-15.
 34. Cycle to Work Alliance.(2011) Behavioural Impact Analysis found at <http://www.cycletoworkalliance.org.uk/images/BehaviourImpactAnalysisFeb2011.pdf>