

# **Obesity: How can governments best combat rising rates?**

**Written by**

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## **Could authorities draw on the success of the UK's tax on sweetened drinks and rethink consumption taxes across all foods to encourage people towards healthier diets?**

Since its introduction in 2018, the UK's "sugar tax" has led to a 40 per cent fall in the sugar content of drinks. As a tax on a single item, it has been a success – and a starting point for a potential, ambitious and broader overhaul of food taxation on a lightly regulated industry. Pricing can have a profound influence on the food we consume.

At Imperial Business School, we are working with the World Health Organisation to help advise governments on how they might best use nutritional tools to tweak food

taxes and prompt healthier choices. At the same time, funding from the National Institute for Health Research is allowing us to simulate changes to existing consumption taxes to see if this alters what food people eat.

In the UK, **we propose aligning taxes applied on food to nutritional quality**. Currently, VAT (value added tax) is charged on many food products in the UK, but there are some historical inconsistencies: consumers pay tax on bottled water for instance, but not on jam; all takeaway food is charged a blanket 20 per cent, regardless of whether it's a healthy salad or a greasy pizza.

Without agreed benchmarks of what's healthy and what isn't, producers and manufacturers can push back against any changes, which can be tricky for authorities to justify at a policy level.

Pricing can have a profound influence on the food we consume

To combat industry resistance, we advise the use of tools devised by nutritionists that determine a food's nutrient profile. Scientists around the world have already created many similar instruments, and the UK uses a model that identifies foods that are high in fat, sugar and salt. This is already applied to prevent these foods being pushed at children through adverts and promotions.

If this tool could be used to determine whether to apply higher tax rates on unhealthy foods and lower on healthier products, it could affect what people buy and steer them away from high-calorie foods containing excessive amounts of fat, salt or sugar.

At a time of high inflation, rising food prices and stagnating income, policymakers must be sensitive to the impact of price rises on consumer budgets. In an ideal world, the overall tax burden on food will not increase, but the quality of what consumers buy will improve, as they opt for cheaper, healthier products.

Evidence for the impact of food taxation for healthier diets is scarce but expanding. A handful of countries have introduced or changed existing taxes to direct consumers towards healthier food choices:

- Mexico is using taxes to target high energy density snacks and products that cover some 14 per cent of all calories consumed.
- Hungary is targeting taxes towards 12 per cent of overall expenditure on food – these are relatively narrow bands.
- Colombia has chosen to increase taxes on a wide range of foods high in fat, sugar and salt.

It's early days but we'll be watching progress closely.

## **What are the barriers to taxing unhealthy foods?**

Governments around the world are reluctant to meddle with existing consumer taxes and change them for a single category of products, such as food. This might drum up pressure and competing claims for tax changes in other sectors. And while the UK has a well-developed policy infrastructure that permits such changes, countries with a weaker policy infrastructure won't be able to introduce them easily.

Legal challenges in this sector are also commonplace. But **the stronger the rationale behind the decision to tax certain foods more, the easier it becomes for authorities to defend tax hikes.**

And while the hospitality sector might welcome a revision of the blanket tax applied across all takeaway food, smaller outlets will struggle to produce a nutritional analysis of their food.

## **Why tax more unhealthy foods now?**

This new tax has great potential. Lessons from the well-judged introduction of the sugar tax could inform future changes; manufacturers of sugary drinks were given ample warning and used the two-year grace period to reformulate products, slashing sugar content to avoid penalising taxes.

**Future changes to food taxes could first be introduced gradually on a selection of foods** – we suggest the 13 groups of highly processed products already identified in the UK as contributing to child obesity. Tentative steps could demonstrate whether the policy works.

How much manufacturers reformulate food or how far consumers opt for healthier choices remains to be seen, but if the policy works, taxes could then be tweaked on food across the board. The beauty of this approach is that governments can leverage existing legislation and tax envelopes if they wish.

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Taxation could form part of a wider approach – ideally the nutrition profile model would inform a raft of policies, from food procurement for schools or regulations on placement of products in stores – to create consistent incentives for consumers about their food choices.

This will send a crystal-clear signal to consumers as to what they should consume more or less of for better health.

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Franco Sassi is Professor of International Health Policy and Economics and Director of the Centre for Health Economics and Policy Innovation. He is also the former Head of the OECD's Public Health Programme.

Read [Franco's Imperial Profile](#) for more information and publications.

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