

# Food and beverage taxes for a healthier diet: The Pacific experience

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## Summary

Across Aotearoa New Zealand (NZ), the Pacific and globally we are seeing a growing impact of the food environment on chronic disease burdens. In response, the World Health Organization recommends fiscal policies like taxes on sugary drinks and unhealthy foods. In our region, Pacific countries have led the way with excise taxes on unhealthy food and drinks being introduced since the turn of the century. NZ is at risk of persisting major health burdens by not using such tools to improve the food environment. Furthermore, the revenue from levies on unhealthy food and drinks provides an opportunity to fund such initiatives as extending free healthy school lunches and/or free dental care.

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The growing impact of the food environment on chronic disease is alarming and even more so for its significant cost and equity implications. Indeed, leaders of Pacific Island countries have declared a non-communicable disease (NCD) crisis<sup>1,2</sup> reflecting the health and financial implications of chronic disease. The food environment is strongly socially patterned and continues to contribute to underlying growing rates of NCDs in Aotearoa New

Zealand (NZ) such as diabetes, cancer, and tooth decay. NZ (and Australia) has fallen behind many other countries, having not made any progress on introducing excise taxes on sugary drinks and their producers. Taxes on sugary drinks are now commonly used by more than one hundred other countries<sup>3</sup> for obesity prevention. But New Zealand has not, as yet implemented any excise taxes on unhealthy foods or their producers. Such policies are recommended by the World Health Organization (WHO),<sup>4</sup> are effective,<sup>5, 6</sup> and have been used for more than two decades by our Pacific neighbours.

## Pacific experience with nutrition promoting taxes

Sugary drinks tax policies are widely used across the Pacific, present in 16 of 21 countries.<sup>7</sup> In addition to sugary drinks, our team reviewed tax policies on other unhealthy foods in the Pacific and recently published the findings in *Public Health Nutrition*.<sup>8</sup> (See map)

### Food tax policies in Pacific Island Countries and Territories

● None identified ● Tariffs ● Excise taxes & Tariffs



Source: Walby et al., 2023

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Several Pacific countries have introduced excise taxes on unhealthy imported and locally-made foods, including French Polynesia in 2001 (and 2019), Tonga from 2013-2018, Samoa (2016) and Vanuatu (2010-2014).<sup>8</sup> In November 2023, the Congress in New Caledonia passed an excise tax which will target unhealthy foods, namely sugary soft drinks, ice-creams, confectionery, chocolate, sauces, cereals, biscuits, bakery and pastry items. The tax is applied according to sugar content and starts at FPF40/kg (NZ\$0.60/kg) for 5-9% sugar, with the highest level of FPF85/kg (NZ\$1.27/kg) for foods with 40+% sugar.

Many of the excise taxes targeting the food environment in the Pacific have been increased by levels (typically 20+% of shelf price) that are expected to make a meaningful impact on the consumption of unhealthy food products, and there is evidence that has occurred. In Tonga, for example, sugary drinks taxes have led to lower import volumes of sugary drinks,<sup>9</sup> and increased water bottling,<sup>9</sup> with the greatest impact on reducing soft drink expenditure among low-income households.<sup>10</sup>

## **The opportunity**

Well-designed taxes on unhealthy food and drinks have health benefits.<sup>11; 12</sup> They decrease consumption of unhealthy foods and drinks<sup>5; 6</sup> and this can lead to reductions in chronic disease.<sup>13; 14</sup> NZ modelling has estimated the health impact of implementing some of the taxes currently implemented in the Pacific (and elsewhere).<sup>15</sup> For example, following American Samoa's approach (excise tax and import tariff on SSB, not including milkshakes and flavoured milks) could result in 28.5 additional Quality Adjusted Life Years per 1000 people over their lifetime and a reduction in health inequities between Māori and non-Māori.<sup>15</sup> One QALY = one year of life in perfect health and this gain is approximately half the per capita health gain seen with tobacco tax (59 QALYs/1000 people).<sup>16</sup> Evidence suggests that sugary drinks taxes are likely to improve health equity.<sup>15</sup> Low income households tend to reduce consumption more given greater price sensitivity,<sup>17</sup> and this can lead to reduced expenditure on taxed products.<sup>10</sup>

To improve fairness and public acceptability, it is paramount that nutrition promoting taxes are coupled with specific revenue investment in ways that address rates of NCDs and promote a healthy food environment. In NZ for example, this might include extending funding for Ka Ora Ka Ako, the free healthy school lunches programme, funding free dental care for those aged 18 and over (perhaps initially for those with a community service card), subsidising and improving access to fruit and vegetables in high deprivation communities and increasing family income/benefit levels so families with the lowest incomes can more easily afford healthy food. A recent Briefing reported that 64% of the public support sugary drinks tax in NZ, if the revenue was used to improve the availability and affordability of healthy food.<sup>18</sup> In the Pacific, health tax revenue has been earmarked for prevention and public awareness of the dangers associated with the consumption of sugary products (New Caledonia),<sup>19</sup> education (American Samoa and Marshall Islands), and public health promotion campaigns (French Polynesia).<sup>7</sup>

Health excises can also encourage reformulation. The United Kingdom soft drinks industry levy is a graduated tax based on level of sugar content. Industry responded by reducing the levels of sugar in drinks and improving availability of healthier options,<sup>20</sup> which has contributed to a reduction in population sugar intake.<sup>21</sup>

## **Conclusions**

Health promoting excise taxes on unhealthy foods and sugary drinks, are an excellent opportunity to improve the food environment in NZ and promote healthier food choices. In not taking action, New Zealand is falling further behind our Pacific neighbours and more than a hundred other countries who are using these tools to protect the health of their populations and save health system costs. Using the taxes to support NCD prevention strategies, would maximise health benefits.

## What's new in this Briefing?

- Since 2000, one-quarter of Pacific countries have introduced excise taxes that target unhealthy foods
- Three-quarters of Pacific countries have introduced taxes on sugary drinks
- There are several examples of strong tax designs with tiered tax levels based on sugar content, and effective tax levels, for improved health benefits and pro-equity impacts

## Implications for public health

- Excise taxes on unhealthy foods are an excellent opportunity to address the obesogenic food environment, as already commonly used in the Pacific and around the world.
- Taxes can be coupled with investment of revenue into NCD prevention, such as investment in free healthy school lunches, for maximum equity benefits.

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The authors declare no competing interests.

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