

# BUSTING INDUSTRY MYTHS ABOUT HEALTH TAXES

Health-harming industries often sow doubts about the links between noncommunicable diseases (NCDs) and risk factors, and the effectiveness of health policies including health taxes. They also feed fears about potential negative economic impacts of health policies in order to weaken, delay, or block their development and implementation. Most industry arguments, however, have been disproved or are not supported by evidence.

## MYTH

**Health taxes are ineffective**



## TRUTH

**Health taxes are proven to be effective and cost-effective in reducing the consumption of unhealthy products by making them more expensive.** They are recommended by WHO to reduce exposure to tobacco, alcohol, unhealthy foods and sugar-sweetened beverages (SSBs), as major drivers of the global NCD epidemic.

## MYTH

**Health taxes hurt low-income groups**



## TRUTH

**Low-income groups benefit more from health taxes than their high-income peers.** They tend to be more exposed to NCD risk factors; experience more barriers in access to healthcare, health information and healthy options; and are more vulnerable to being pushed into or further into poverty by healthcare spending. Low-income groups are also more sensitive to price increases; therefore, while they may be more impacted by health taxes in the short-term, **in the medium- to long-term the net impact is positive.**

## MYTH

**Health taxes limit personal freedom**



## TRUTH

**Health taxes do not limit the decisions of consumers;** they modify the terms under which these decisions are taken by reflecting the true cost of unhealthy products, by including their internalities and externalities (that is, the costs or benefits occurring to the affected person and other members of society, respectively).

## MYTH

**Health taxes do not generate additional tax revenues**



## TRUTH

**Well-designed health taxes generate considerable tax revenue.** The revenues tend to be higher for products with inelastic demand, such as tobacco or alcoholic beverages, and lower for SSBs, where consumers respond more to tax-induced price increases.

## MYTH

**Earmarking tax revenues is unconstitutional, ineffective and unfair**

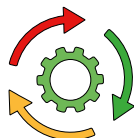


## TRUTH

**Earmarking health tax revenue is legal and can be effective and fair, as the generated revenues can be invested in furthering public health efforts and offsetting the healthcare costs associated with the consumption of taxed products.** Earmarking health tax revenues tends to increase public support for such taxes, so concerned industries often argue that this practice is unconstitutional since it does not go through a budgetary process.

## MYTH

**Health taxes increase unemployment**



## TRUTH

**Health taxes do not increase unemployment.** While they can lead to gross job losses in the industries affected by the tax, such losses tend to be compensated for by jobs created in other sectors.

## MYTH

**Health taxes increase inflation**

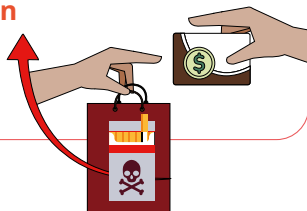


## TRUTH

**Health taxes have a minimum impact on inflation.** The share of unhealthy products in the total consumer basket that is captured by the consumer price index (CPI) tends to be limited, which also limits the impact of tax increases on inflation. The effect can be mitigated by excluding unhealthy products from the CPI basket.

## MYTH

**Health taxes increase illicit trade and tax evasion**



## TRUTH

**Health taxes do not cause illicit trade.** Gaps in prices between licit and illicit products can motivate purchases of the illicit ones. However, the link between taxes and illicit trade seems to be weak and having effective measures against illicit trade plays a more important role. Industry itself has often been complicit in illicit trade and overestimates the illicit trade scope to induce fear in governments so they weaken or cancel health taxes.

## MYTH

**Health taxes hurt competitiveness of domestic producers**

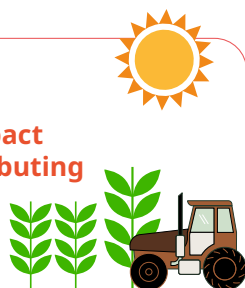


## TRUTH

**Health taxes should apply to domestic and imported products equally.** Domestic producers and importers have a level playing field in this regard – health taxes do not affect domestic producers disproportionately.

## MYTH

**Health taxes negatively impact farmers contributing to targeted products**



## TRUTH

**Farmers can be better off growing healthier crops.** As producers of the raw materials, they may be impacted by health taxes when the demand of unhealthy products decreases due to a tax-induced price hike. However, the quality of the work, especially of tobacco and sugarcane farmers, is often very low and alternative crops can bring better outcomes for small farmers in the medium- to long-term.

## READ MORE:

[Getting fiscal policies right: Lessons and recommendations across NCD risk factors](#)  
[Find out about other myths and truths on NCD prevention and control](#)