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**Committee of Experts on International
Cooperation in Tax Matters
Twenty-fifth session**

Geneva, 18-21 October 2022

Item 3(o) of the provisional agenda

Health Taxes

Co-Coordinators' Report

Summary

At its 23rd Session in October 2021, the UN Committee of Experts on International Cooperation in Tax Matters considered note ([E/C.18/2021/CRP.35](#)) on a proposed new workstream on health taxes. Health taxes are excise taxes on tobacco, alcohol, sugar-sweetened beverages and other harmful products that are intended to reduce their consumption, thus improving health outcomes. Health taxes therefore directly support a number of the Sustainable Development Goals. The Committee decided to establish a Subcommittee on Health Taxes to undertake work on this topic that would focus on providing tax policy and administration guidance to assist countries in adopting the most effective health taxes, from both a health and revenue perspective.

At the 24th Session of the Committee, the Subcommittee proposed a work program ([E/C.18/2022/CRP.4](#)) that would focus on producing a handbook on health taxes for developing countries. It also requested comments from the Committee on a tentative structure for that handbook and an outline of Chapter 4 – General Considerations When Designing Health Taxes. The Committee approved the proposed work plan and provided comments on the handbook structure and chapter outline.

This note is provided to the Committee *for information* at its 25th Session. The Subcommittee has also produced two notes for discussion, *Chapter 4 – General Considerations in Designing Health Taxes* (E/C.18/2022/CRP.30) and *Draft Outlines of Additional Chapters* (E/C.18/2022/CRP.31).

Scope and Priority of Work as Established by the Committee of Experts

1. At its 23rd Session in October 2021, the UN Committee of Experts on International Cooperation in Tax Matters considered note [E/C.18/2021/CRP.35](#) on health taxes. The note explained that the consumption of tobacco, alcohol and sugar-sweetened beverages was related to the incidence of many non-communicable diseases, such as cardiovascular disease, cancer, chronic respiratory disease and diabetes, which resulted in millions of premature deaths a year, the vast majority of which occurred in lower-middle income countries. Well-designed excise taxes on such products (health taxes) have been shown to be an effective measure to reduce consumption of those products so as to improve health outcomes while also increasing government revenues. by reducing consumption of those products, health taxes therefore support SDG 3 (Ensure healthy lives and promote well-being for all at all ages).¹

2. The conference room paper suggested that the Committee could provide guidance to developing countries in the form of one or more handbooks on health taxes, similar to the carbon tax handbook produced by the last membership of the Committee. That handbook addressed tax policy design, tax administration and political economy issues. The process of drafting a handbook would itself raise the profile of the issue with tax officials. In addition, as with all of the Committee's publications, these handbooks would provide the basis for capacity development activities to disseminate the Committee's guidance to tax and finance policy officials in developing countries that are in a position to implement or reform health taxes in line with the handbook's recommendations.

3. There was strong support in the Committee for undertaking work in the area through the formation of a subcommittee. The Committee noted that the Subcommittee should not duplicate work that has already been done, but to build on the significant progress made by public health experts in identifying the form that such taxes should take. The Committee's work therefore could focus on providing tax policy and administration guidance that would assist countries in adopting the most effective health taxes, from both a health and revenue perspective.

4. Accordingly, the Committee agreed to establish a Subcommittee on Health Taxes, with Kapembwa Namuyemba-Sikombe and Trude Steinnes Sønvisen as Co-Coordiators, and with the following mandate:

The Subcommittee is mandated:

- To identify priority issues where guidance from the Committee may most usefully assist developing countries, in particular, on health tax issues and initially report to the Committee on such issues at its twenty-fourth session, in 2022
- To pay particular attention to the application of excise taxes on tobacco, alcohol and sugar-sweetened beverages and report on current country practices, policy considerations and administrative issues

¹ Health taxes relate specifically to Target 3.4 (By 2030, reduce by one third premature deaths from non-communicable diseases...), Target 3.5 (Strengthen the prevention...of substance abuse, including...harmful abuse of alcohol), Target 3.6 (By 2020, halve the number of global deaths and injuries from road traffic accidents) and Target 3.a (Strengthen the implementation of the World Health Organization Framework Convention on Tobacco Control in all countries, as appropriate).

- To provide draft guidance on such issues as are approved by the Committee at its sessions

In undertaking its work, the Subcommittee may wish to consult academia, specialist agencies (such WHO) and other international organizations, and civil society active in the field. The Subcommittee will also make drafts of its proposed reports and other publications available for written comment in order to receive input from industry stakeholders. The Subcommittee shall report on its work at each session.

5. At the 24th Session of the Committee, the Subcommittee proposed a work program ([E/C.18/2022/CRP.4](#)) that would focus on producing a handbook on health taxes for developing countries. It also requested comments from the Committee on a tentative structure for that handbook and an outline of Chapter 4 – General Considerations When Designing Health Taxes. The Committee approved the proposed work plan and provided comments on the handbook structure and chapter outline.

Progress Made by the Subcommittee on its Work Program

6. The Subcommittee has held two virtual meetings since the 24th Session, on 27-28 June 2022 and 19-20 September 2022. In its discussions, the Subcommittee has focused on the fact that there will be two primary audiences for the handbook – tax policy experts and health policy experts – each of which may not be familiar with the concerns of the other. Therefore, the handbook will have to provide basic policy background before addressing the specific case of health taxes.

7. This need to bridge gaps is clear in the first document presented for the consideration of the Committee, Chapter 4 – General Considerations When Designing Health Taxes (E/C.18/2022/CRP.30). The chapter is based on the outline discussed by the Committee at its 24th Session. It describes criteria that tax policy experts generally employ in analyzing proposed tax legislation, which may not be familiar to health policy experts. It then describes how those criteria apply to health taxes, which will be helpful to finance ministers.

8. A similar approach is reflected in the chapter outlines included in the other document for the Committee's consideration, *Draft Outlines of Additional Chapters of the United Nations Handbook on Health Taxes for Developing Countries* (E/C.18/2022/CRP.31). For example, the outline of Chapter 2 – An Introduction for Policymakers: Looking at Health Taxes through Different Lenses, twice addresses “earmarking” of revenues generated by health taxes. In the section addressed to tax experts, the chapter will explain why health ministries may favor earmarking. In the section addressed to health policy experts, the chapter will explain why ministries of finance and budgeting generally do not approve of earmarking.

9. The Subcommittee expects that the chapters based on these outlines will be submitted to the Committee for its consideration during 2023.

Future Meetings of the Subcommittee

10. The Subcommittee plans to meet twice before the 26th Session of the Committee.

Requested Input from the Committee

11. The Subcommittee has no specific questions for the Committee; it welcomes any Committee comments on the two documents submitted to the Committee for discussion.

