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

Geneva, 17-20 October 2023

Item 3(o) of the provisional agenda

Health Taxes

Co-Coordinator's Report

Summary

This note is provided *for information* to the Committee.

Health taxes are 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.

At its Twenty-fourth Session, the Committee approved the Subcommittee's proposed work program ([E/C.18/2022/CRP.4](#)) focused on producing a handbook on health taxes for developing countries.

At its Twenty-fifth Session, the Committee considered *Draft Outlines of Additional Chapters* ([E/C.18/2022/CRP.31](#)), which included outlines of Chapters 2 and 5.

At its Twenty-sixth Session, the Committee considered a draft of *Chapter 5 – Setting the Health Tax Structure and Rate* (E/C.18/2023/CRP.22). After the Session, the Subcommittee received comments from stakeholders asking that the chapter include citations to additional articles.

At its Twenty-seventh Session, the Committee is asked to review and give ***final approval*** to *Chapter 5 – Setting the Health Tax Structure and Rate* (E/C.18/2023/CRP.48). It is also invited to have a ***first discussion*** of *Chapter 2 – An Introduction for Policymakers: Looking at health taxes through different lenses* (E/C.18/2023/CRP.49), which is based on the outline approved by the Committee at the Twenty-fifth Session, and to ***discuss*** and ***provide guidance*** on *Draft Outlines of Additional Chapters* (E/C.18/2023/CRP.50).

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

1. At its Twenty-third 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 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
- 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.

3. At the Twenty-fourth Session of the Committee, the Committee approved the Subcommittee's proposed work program ([E/C.18/2022/CRP.4](#)) focused on producing a handbook on health taxes for developing countries.

4. At its Twenty-fifth Session, the Committee considered a draft of *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). At that meeting, there was a lively discussion among the Members and observers. Many of the comments related to issues already intended to be addressed in chapters of the handbook that will be presented to the Committee at future sessions. In particular, several members

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).

and observers emphasized the importance of addressing the relationship between increased excise taxes and illicit activities (e.g., smuggling). Several others mentioned the need for health taxes to comply with international legal obligations, an issue alluded to in proposed Chapter 2, but which will need to be expanded in another appropriate chapter (or chapters). The draft table of contents for the handbook, which was approved by the Committee at its Twenty-fourth Session, is attached as Annex 1.

5. At its Twenty-sixth Session, the Committee approved *Chapter 4 – General Considerations in Designing Health Taxes* ([E/C.18/2023/CRP.21](#)). The Committee also had a first discussion of *Chapter 5 – Setting the Health Tax Structure and Rate* ([E/C.18/2023/CRP.22](#)), which provides a detailed look at considerations that those designing health taxes should take into account. The draft Chapter 5 also addressed best practices in health tax design, both in general and with regard to tobacco, alcohol and sugar-sweetened beverages. It noted that decisions on tax rates and structure would depend on particular country circumstances, with the optimal structure for a given country depending on the desired balance of health and revenue objectives.

6. The report of the Twenty-sixth Session includes this summary of the discussion of Chapter 5:

113. Ms. Steinnes Sønvisen then introduced conference room paper E/C.18/2023/CRP.22 on the proposed chapter 5 (setting the health tax structure and rate). Chapter 5 had been presented in outline form at the twenty-fifth session of the Committee. It was the first of the more detailed technical chapters. It provided a detailed discussion of considerations that those designing health taxes should take into account, and discussed best practices in health tax design, both in general and with regard to tobacco, alcohol and sugar-sweetened beverages. It noted that decisions on tax rates and structure would depend on particular country circumstances, with the optimal structure for a given country depending on the desired balance of health and revenue objectives.

114. One of the members noted that his country had one of the world's highest levels of consumption of sugary beverages, so it was very important to have the guidance for those designing health taxes. He also noted the importance of combining health taxes with other measures, such as public awareness campaigns. Ms. Steinnes Sønvisen responded that the relationship between health taxes and other measures would be addressed in chapter 9. One observer noted that government measures regarding the targeted products did not apply to products sold illicitly.

7. After the Twenty-sixth Session, the Subcommittee received comments from stakeholders asking that the chapter include citations to additional articles.

Progress Made by the Subcommittee on its Work Program

8. The Subcommittee has held two virtual meetings since the Twenty-sixth Session, on 15-16 June 2023 and 11-12 September 2023. At the first meeting, the Subcommittee reviewed all of the comments made during and after the Twenty-sixth Session and agreed on where and how to address them in the Handbook.

9. In particular, it was agreed that the drafters of Chapter 5 would consider the additional citations requested by observers and would include those that the Subcommittee considered appropriate. As a result of a technical discussion during the September meeting, the Subcommittee made certain drafting changes to Section III.A.1 to reflect the fact that, although excise taxes are the primary form of health taxes, some countries use differentiated sales taxes and import duties to achieve health results for

various reasons. With these minor changes, *Chapter 5 – Setting the Health Tax Structure and Rate* (E/C.18/2023/CRP.48) was viewed as ready to be submitted to the Committee for review and final approval.

10. The Subcommittee also discussed the full draft of *Chapter 2: An Introduction for Policymakers: Looking at health taxes through different lenses* (E/C.18/2023/CRP.49), which is aimed at finance and health ministers. The Subcommittee concluded that the re-draft completed after the Twenty-sixth Session is now ready for a first discussion by the Committee.

11. Finally, the Subcommittee agreed to submit outlines of six additional chapters to the Committee for comment. They are included in *Draft Outlines of Additional Chapters* (E/C.18/2023/CRP.50) and address such issues as the relationship between health taxes and budgeting, mitigation of secondary effects of health taxes, interaction with non-tax measures and increasing public support for health taxes. The document also includes outlines for two product-specific chapters on (1) tobacco and (2) using health taxes to improve nutrition.

Issues for the Committee

12. The Subcommittee invites the following action by the Committee at its Twenty-seventh Session:

1. Review and final approval of *Chapter 5 – Setting the Health Tax Structure and Rate* (E/C.18/2023/CRP.48);
2. First discussion of *Chapter 2: An Introduction for Policymakers: Looking at health taxes through different lenses* (E/C.18/2023/CRP.49); and
3. Comment and guidance on *Draft Outlines of Additional Chapters* (E/C.18/2023/CRP.50)

ANNEX 1

**UN Handbook on Health Taxes
For Developing Countries**

**Draft Table of Contents
Approved at the Twenty-fourth Session of the Committee**

Part I: General Considerations

Chapter 1: Overview of the Handbook on Health Taxes for Developing Countries

Chapter 2: An Introduction for Policymakers: What Finance Ministers need to know about health policy and what Health Ministers need to know about tax policy

Part II: Issues in Designing Health Taxes

Chapter 3: Role of Health Taxes in National Budgets

Chapter 4: General Considerations when Designing Health Taxes

Chapter 5: Setting the Tax Rate and Structure

Chapter 6: Practical Issues in Determining How Revenues will be Used

Part III: Implementing Health Taxes

Chapter 7: Administering Health Taxes

Chapter 8: Implications of Health Taxes for Households, Workers, Farmers and Firms

Part IV: The Political Economy of Health Taxes

Chapter 9: Interaction between Health Taxes and other Instruments

Chapter 10: How to Generate Public Acceptability for Health Taxes

Part V: Special Considerations

Chapter 11: Specific Issues with respect to Tobacco Taxation

Chapter 12: Specific Issues with respect to Alcohol Taxation

Chapter 13: Specific Issues with respect to Excise Taxation to Support Improved Nutrition