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

4-7 April and 11-12 April 2022

Item 3 (o) of the provisional agenda

Health Taxes

**Co-Coordinator's Report Regarding the Proposed 2022-2025 Work Plan of the
Subcommittee on Health Taxes**

Summary

At its 23rd Session, the Committee of Experts on International Cooperation in Tax Matters considered note [E/C.18/2021/CRP.35](#), on proposed work relating to excise taxes on tobacco, alcohol and sugar-sweetened beverages. The Committee decided that its work should 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. To this end, it established the Subcommittee on Health Taxes to take forward the work.

At its first meeting, the Subcommittee discussed the possibility that the Committee could produce a handbook on health taxes for developing countries during this membership. In that regard, it developed a tentative structure for such a handbook, attached as Annex 1, and a possible timetable that would allow the various chapters to be considered and approved by the Committee by April 2025. As the first item in that timetable, it prepared a draft outline of Chapter 4 – General Considerations When Designing Health Taxes, attached as Annex 2, for the consideration of the Committee.

The Committee is invited to:

- (a) ***approve*** the proposed plan for work for the 2022-2025 period to produce a handbook on health taxes for developing countries;
- (b) ***discuss*** and give ***general approval*** of the structure of such a handbook as reflected in the draft table of contents; and
- (c) ***discuss*** and ***provide guidance*** to the Subcommittee regarding the contents and outline of Chapter 4.

Background and Subcommittee Mandate

1. At its 23rd Session, the Committee of Experts on International Cooperation in Tax Matters considered note [E/C.18/2021/CRP.35](#), on proposed work relating to excise taxes on tobacco, alcohol and sugar-sweetened beverages. 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 low-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. Health taxes therefore support SDG 3 (Ensure healthy lives and promote well-being for all at all ages).¹ Effective taxes on alcohol that reduce consumption also support SDG 16 (Peace, Justice and Strong Institutions) by addressing one of the causes of violence.²
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 [UN Handbook on Carbon Taxation for Developing Countries](#) produced by the Committee during its 2017-2021 membership. 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, such handbooks would provide the basis for capacity development activities to disseminate the Committee's guidance to officials in national tax administrations and ministries of finance in developing countries who are in a position to implement or reform health taxes in line with the handbooks' recommendations.
3. There was strong support in the Committee for undertaking work in the area and, to this end, establishing a related subcommittee. The Committee noted that the Subcommittee should not duplicate work that has already been done, but build on the significant progress made by public health experts in identifying the form that such taxes should take. The 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-Coordinator, 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

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).

² See Target 16.1 (Significantly reduce all forms of violence and related death rates everywhere) and Indicator 16.2.1 (Proportion of children aged 1–17 years who experienced any physical punishment and/or psychological aggression by caregivers in the past month).

- 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.

Overview of the Subcommittee's Proposed Work Plan

5. The first meeting of the Subcommittee on Health Taxes (the Subcommittee) was held 21-23 February 2022. In accordance with the Subcommittee's mandate, the Coordinators had invited government officials with expertise on tobacco tax policy and administration, several academics who are experts in health taxes and representatives of specialist agencies and civil society to attend the meeting, in addition to the Members of the Committee who have indicated their intention to participate in the Subcommittee's work. Consistent with the Committee's practices and procedures, the Co-ordinators will circulate to the Committee for approval a list of proposed participants in the Subcommittee.

6. During the meeting, the Subcommittee discussed a proposal to work towards producing a handbook on health taxes during this membership of the Committee. Through a productive and detailed discussion, it developed a tentative table of contents for that handbook (attached as Annex 1). While that handbook will necessarily summarize the work that has already been done by public health experts with respect to health tax design, the value added by the Committee is likely to be in those areas that will directly address the concerns of finance ministries and tax administrations, particularly in developing countries, such as Chapter 3 (Role of Health Taxes in National Budgets), Chapter 4 (General Considerations When Designing Health Taxes), Chapter 7 (Administering Health Taxes), Chapter 8 (Implications of Health Taxes for Households, Workers, Farmers and Firms) and Chapter 10 (How to Generate Public Acceptability for Health Taxes). To determine whether it would be feasible for the Committee to consider and approve such a handbook during this membership, the Subcommittee also established an initial time and responsibilities table that includes a proposed schedule for completing the handbook by April 2025. In addition, the Subcommittee prepared a draft outline of Chapter 4 (General Considerations When Designing Health Taxes), attached as Annex 2, as the first item on that timetable.

Future Meetings of the Subcommittee

7. The Subcommittee expects to hold two virtual meetings between the 24th and 25th Sessions of the Committee in order to provide a draft of Chapter 4 to the Committee for discussion at its 25th Session.

Issues for Decision by the Committee

8. The Committee is invited to:

(a) *approve* the proposed plan for work for the 2022-2025 period to produce a handbook on health taxes for developing countries;

(b) *discuss* and give *general approval* of the structure of such a handbook as reflected in the draft table of contents; and

(c) *discuss* and *provide guidance* to the Subcommittee regarding the contents and outline of Chapter 4.

ANNEX 1

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

Draft Table of Contents

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

DRAFT OUTLINE

CHAPTER 4

General Considerations When Designing Health Taxes

I. General Tax Policy Considerations for Designing Individual Taxes

- A. Tax revenue raising potential
- B. Efficiency
- C. Link with economic growth
- D. Equity, including:
 - i. Horizontal equity – treating similar taxpayers similarly.
 - ii. Vertical equity – taking into account taxpayers’ different capacity to pay.
- E. Administrative simplicity, transparency and certainty
- F. Non-tax factors that influence the design of the tax

II. Application of the general tax policy considerations to Health Taxes

- A. What is the revenue raising capacity of health taxes?
 - i. Discussion on objective of the health tax: is revenue raising the first objective?
 - ii. Data regarding excise taxes as share of government revenues
 - 1. Trends
 - 2. Composition of health taxes revenues
 - iii. Enhancing the tax policy potential of health taxes: policy options.
 - 1. Including: reforming existing taxes compared to introduction of new taxes
- B. How to ensure the health tax design is efficient?
- C. What are the links between health tax design and economic growth?
- D. How to ensure the health tax design is equitable?
 - i. Horizontal equity – treating similar taxpayers similarly.
 - 1. Tobacco, alcohol and sugar-sweetened beverages are not “similar” to other products
 - a. Internalities
 - b. Externalities
 - 2. Tax design must result in taxation of all products with the same characteristics (e.g., not only cigarettes, but also loose tobacco, e-cigarettes, etc.)
 - ii. Vertical equity – taking into account taxpayers’ different capacity to pay.
 - 1. How and when to determine regressivity/progressivity.
 - 2. Outsize effect of non-communicable diseases on those at lower income levels
 - 3. Role for transfers to lower-income households
- E. How to ensure the health tax is administrable?
 - i. Simplicity
 - ii. Certainty

- iii. Possibilities for evasion
 - 1. Effectiveness of tax administration overall
 - 2. Importance of regional approaches
- F. How non-tax factors can influence the health tax design?