

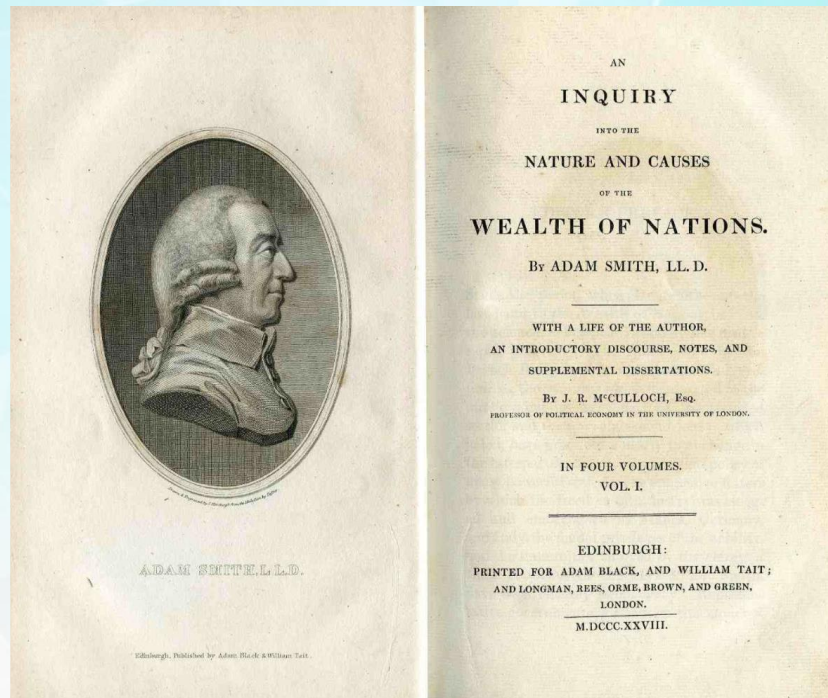


The Hungarian Public Health Product Tax

Brussels, June 20th 2019

Ministry of Human Capacities, State Secretariat for Health
National Institute of Pharmacy and Nutrition

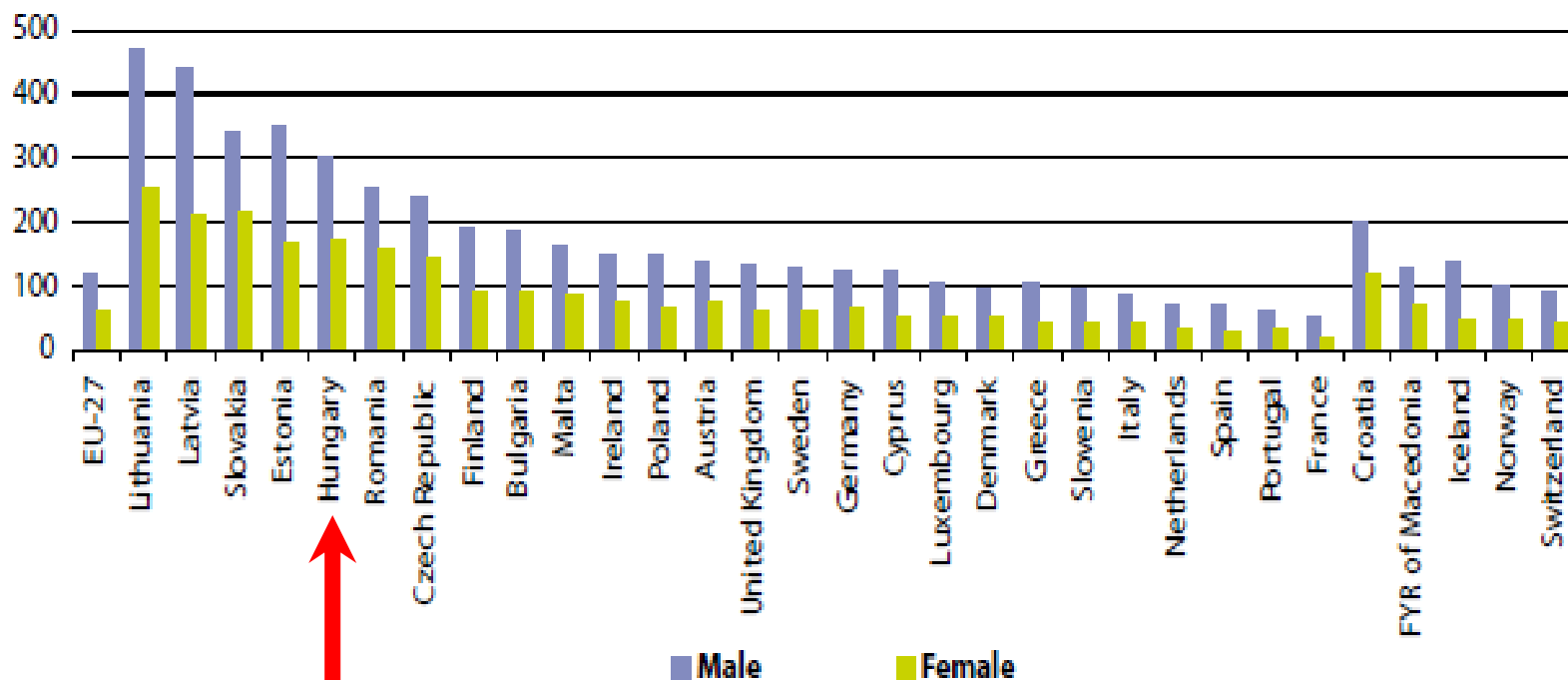
“Sugar, rum and tobacco are commodities which are no where necessaries of life, which are become objects of almost universal consumption, and which are therefore extremely proper subjects of taxation.”



(Adam Smith, An Inquiry into the Nature and Causes of The Wealth of Nations, 1776)

Death from IHD

(standardized death rate per 100 000 inhabitants)

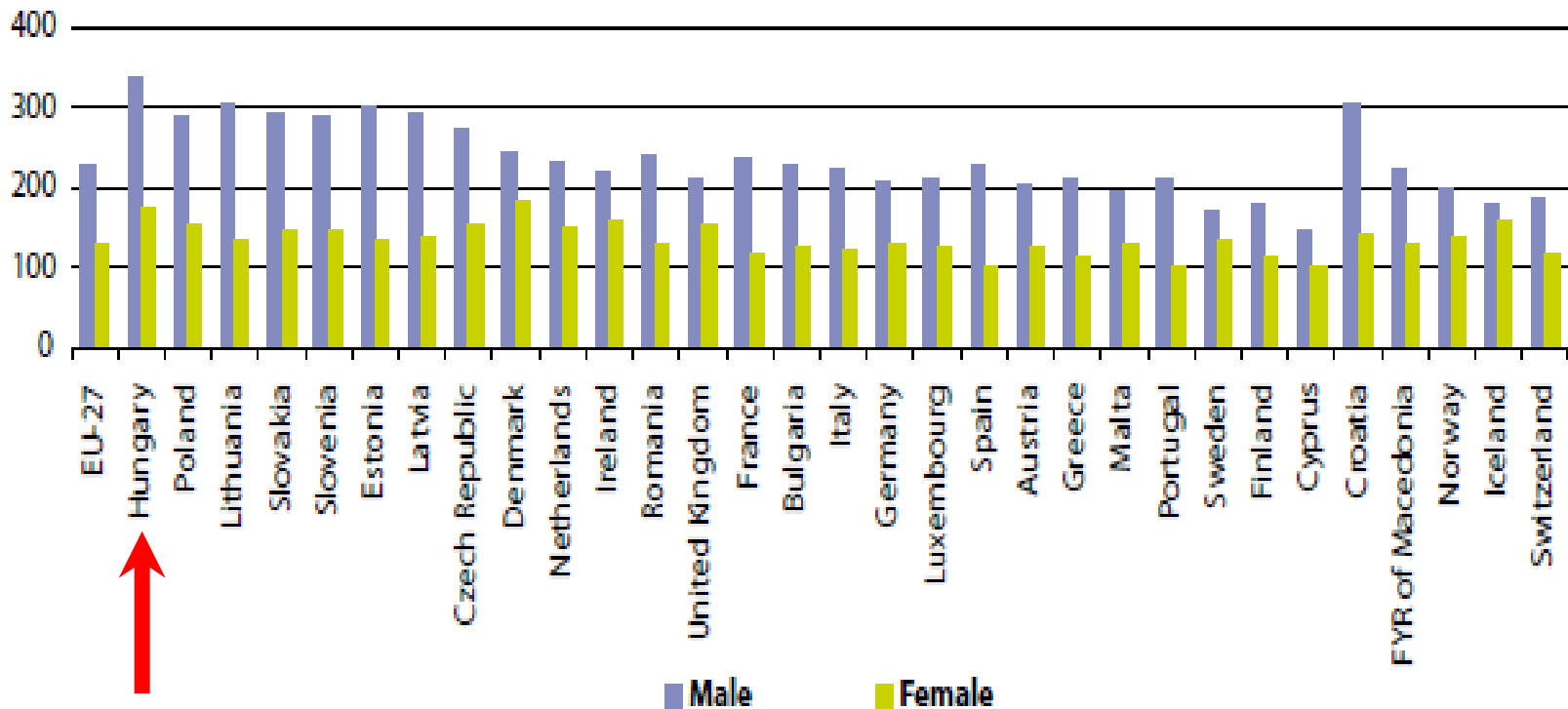


(*) Denmark, Ireland, Italy, Luxembourg and Portugal, 2006; the figure is ranked on the average of male and female; EU-27, provisional; Belgium, not available.

Source: Eurostat (tps00119)

Death from cancer

(standardized death rate per 100 000 inhabitants)

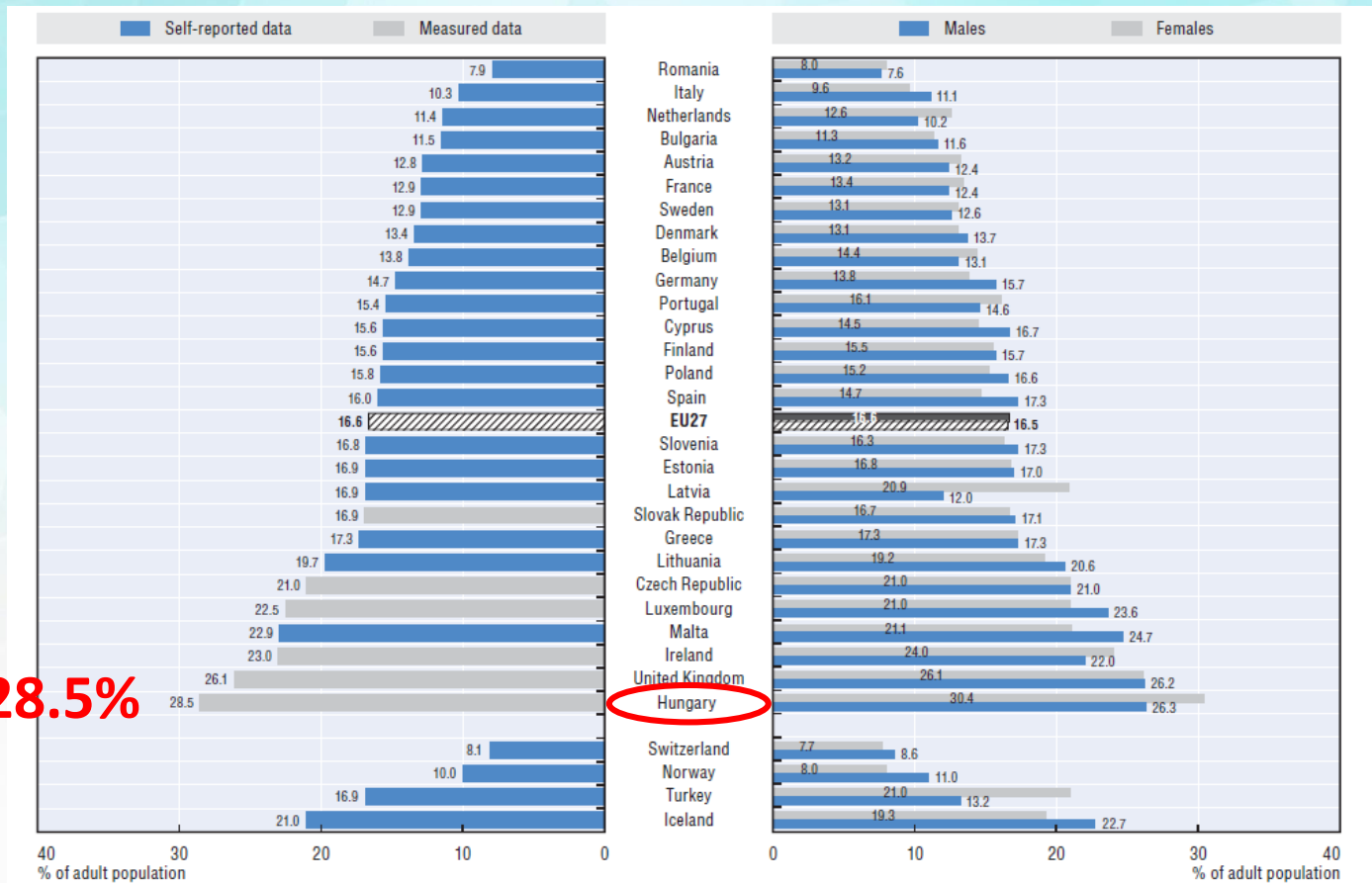


(*) Denmark, Ireland, Italy, Luxembourg and Portugal, 2006; the figure is ranked on the average of male and female.

Source: Eurostat (tps00116)

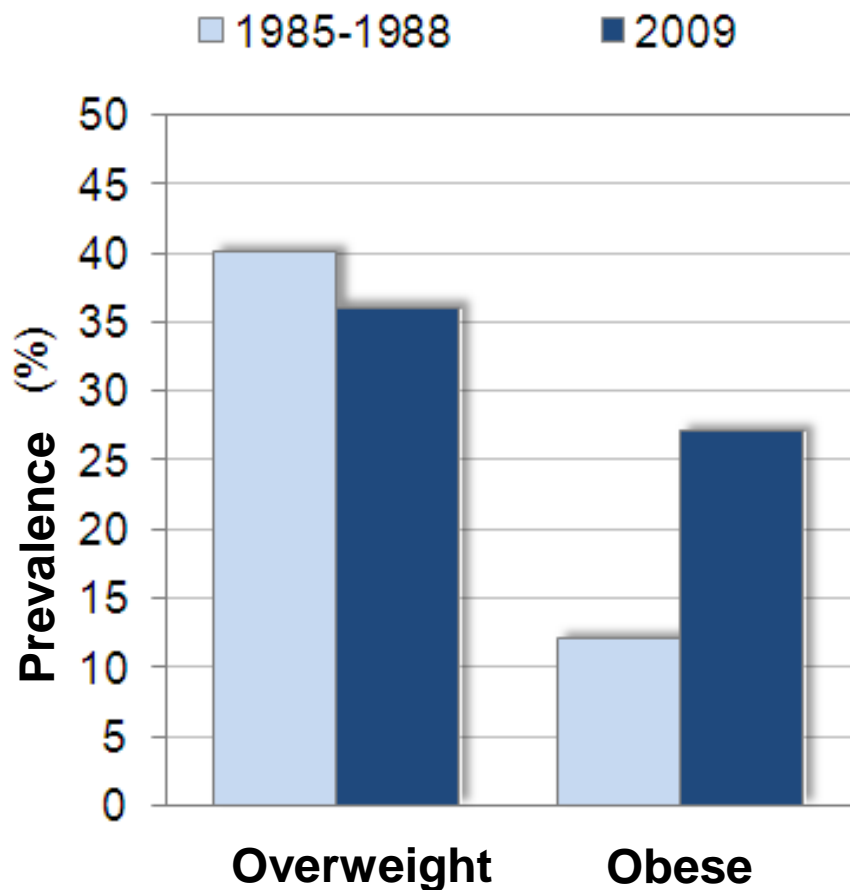
Public health data of the Hungarian population

Prevalence of obesity among adults, 2010 (or nearest year)

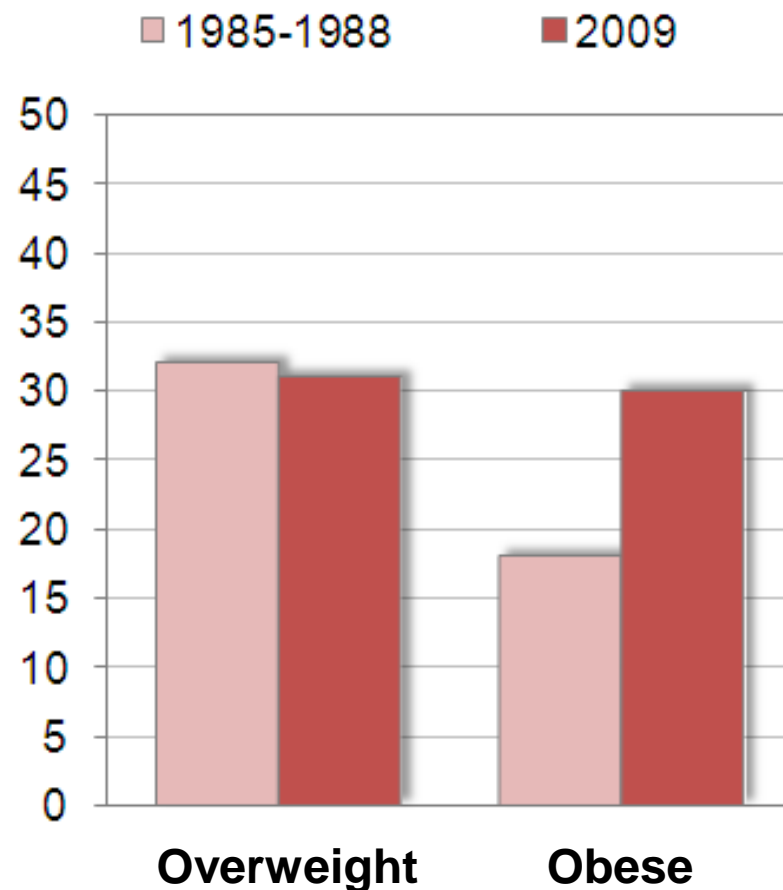


Source: OECD Health Data 2012; Eurostat Statistics Database; WHO Global Infobase.

National trends in overweight and obesity



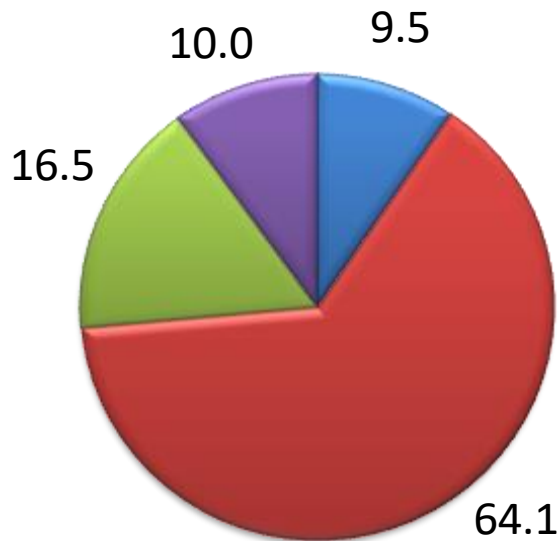
Men



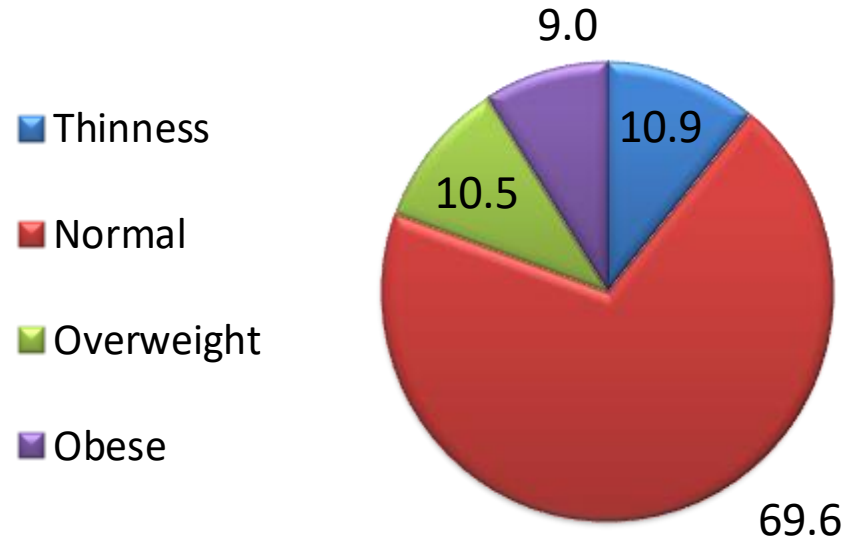
Woman

Distribution of the WHO/COSI sample by weight status, 2010

Girls



Boys

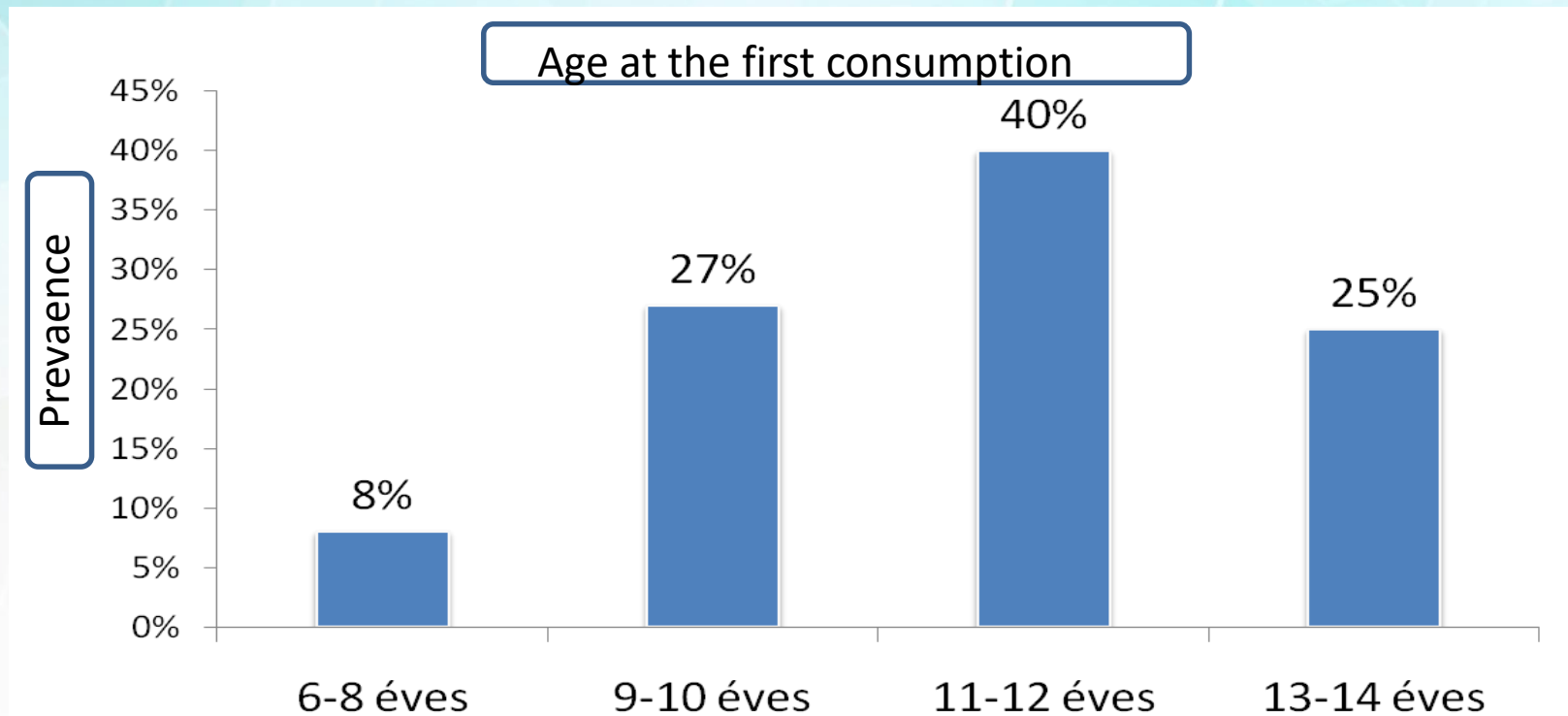


Every 5th boy and every 4th girl
are overweight or obese!

Energy drink consumption among children 2012

- 86% consumed energy drink
- 63% regular consumer

N=13 059
10-18 y



Public Health Product Tax

On 19th July 2011 Hungary passed the law “Act CIII of 2011 on the Public Health Product Tax” (that came into effect on 1st September 2011) about the tax on food and drink components with high risk for health.



The introduction of the Public Health Product Tax (PHPT) aims at:

- promoting healthier nutrition among the Hungarian population,
- encouraging food reformulation,
- taxing such products that carry proven health risks when consumed, thus directly reducing consumption of these products,
- enhancing the health status of the population from the income this tax produces (revenue earmarked to Public Health).

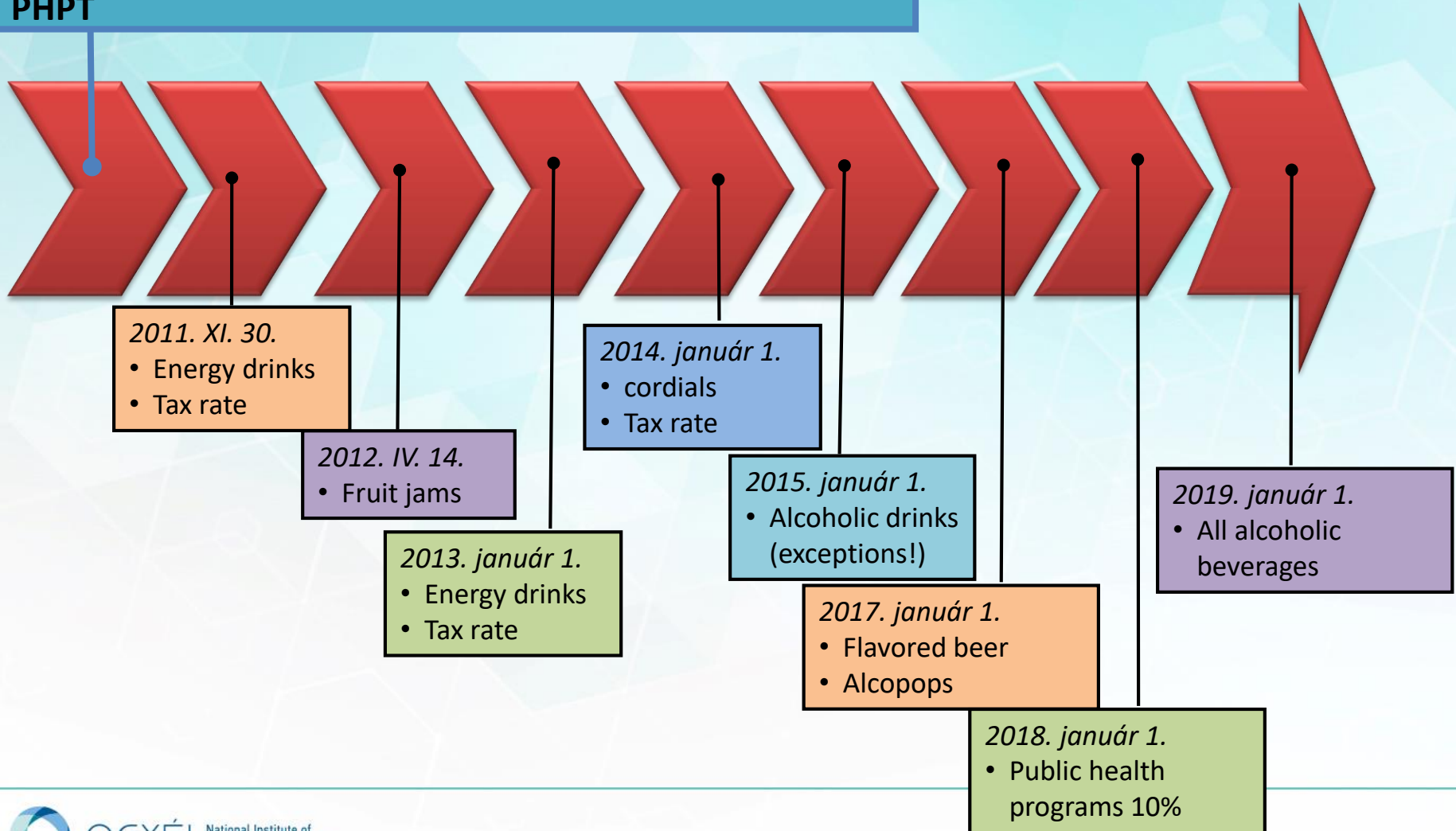
Public Health Product Tax

- Excise tax (paid when the product is purchased)
- Applies to re-packed
- non-staple foods only
- Paid on a per unit measure (Kg, Liter)
- Based on sugar, salt and methylxantine (caffeine) content of products
- Classification based on customs tariff headings (Commission Regulation (EU) No 861/2010)
- Sugar sweetened drinks; energy drinks; salty snacks; condiments; sweets (chocolate, ice cream etc.); alcopops, flavoured beer; fruit jams

PHPT amendments

szeptember 1. 2011.

PHPT



	Product category	Taxable unit	2011.	2012.	2013/14	2019.
Sugar	Sugar sweetened beverages (> 8g/100 ml)	Ft/liter	5	7	7	15 (5c)
	-Syrups, concentrates for soft drinks	Ft/liter	-	200	200	250 (77c)
	Sweetened cocoa powder	Ft/kg	-	70	70	85 (26c)
	Pre-packaged sweetened product (> 25g/100 g)	Ft/kg	100	130	130	160 (49c)
	Fruit preserves	Ft/kg	-	500	500	600 (1.8€)
	Flavored beer	Ft/liter	-	20	20	25 (8c)
	Alcopops	Ft/liter	-	20	20	25 (8c)
Salt	Salty snacks (> 1g/100 g)	Ft/kg	200	250	250	300 (92c)
	Condiments (>5g/100 g)	Ft/kg	200	250	250	300 (92c)
Caffeine, MX, taurin	Energy drinks 1 mg metil-xantin/100 ml or taurin > 100 mg/100 ml	Ft/liter	250	250	250	300 (92c)
	Metil-xantin > 15 mg/100 ml	Ft/liter	-	-	40	50 (15c)
Alco hol	Alcoholic drinks	Ft/liter	-	-	20-900	25-1100

Who pays the tax?

- products are produced in Hungary - the manufacturer,
- in case of imported products - the first domestic seller,
- this also applies when the product is not directly sold to the final consumer,
- Tax basis: the distributed amount of the taxable product

Administrative issues

- The taxpayers must keep a register of the taxable products.
- The duties of the tax authority are performed by the National Tax and Customs Authority.
- The public health tax is part of the central budget's revenue, **from 1st January - Health Insurance Fund**

1st Impact Assessment of the Public Health Product Tax, 2012

The studies that form the basis of the impact assessment were carried out in the framework of the **WHO Biannual Collaborative Agreement with the support of the WHO Regional Office for Europe**. The project was managed by the *National Institute for Health Development*, and it was implemented in collaboration with the *National Institute for Food and Nutrition Science*.

Focus of the impact assessment

- Survey on the population's awareness about the law and changes in consumption patterns
- Survey on manufacturers' views and opinion on PHPT
- Relationship of the predicted and realized revenue
- Analysis of balance sheet data of companies paying the major part of PHPT

Features of the impact assessment

- **Population survey with questionnaire**
representative sample of population (n=1000) in form of personal interviews
- **On-line manufacturers' survey**
- **Analysis of macroeconomic data**
Studied period: 1st September 2011 – 31st August 2012

Key results of the impact assessment

Based on the manufacturers' survey 40% of the responding manufacturers changed the formula

30% of them totally removed the harmful ingredient

70% of them decreased the quantity of the harmful ingredient

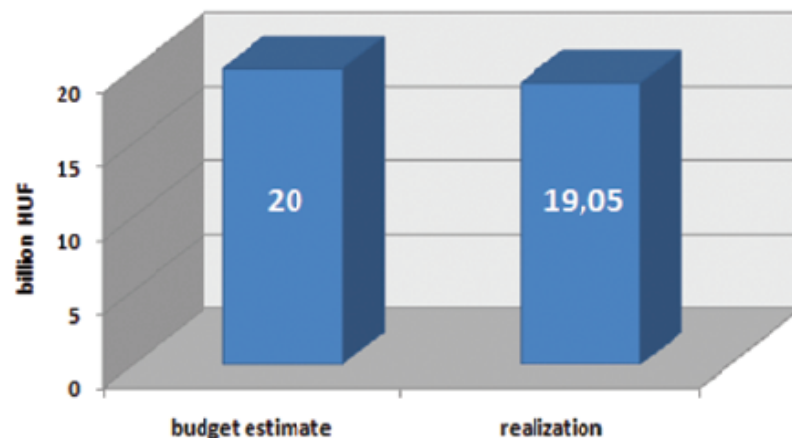
The manufacturers' sales of products subject to NETA decreased by 27%

The average price of manufacturers' products subject to NETA increased by 29%

25-35% of people who consumed products subject to NETA consumed less than one year before

The odds ratio of decreasing the consumption of pre-packed sweets and salted snacks was twice as high in case of people with poor self reported health as in case of people with good self reported health

Development of budget estimate and realization of revenue from the Public Health Product Tax in 2012



35 companies paying the major part (approximately 80-90%) of NETA

Main balance sheet data	2010	2011	Change (2011/2010)	
Net sales revenue (billion HUF)	1 776,6	1 878,4	+101,8	+5,7%
Profit or loss after taxation (billion HUF)	-31,1	-29,7	+1,4	+4,7%
Average statistical headcount (persons)	51 423	51 601	+178	+0,3%

The population did not know exactly which products were subject to NETA, approximately 27% of them have not heard about the introduction of NETA

Key conclusions of the impact assessment

1. NETA achieved its public health aims


→ After the introduction of NETA the supply and sales of products containing ingredient(s) proved to be harmful to health decreased

→ The population reduced the consumption of products containing ingredient(s) proved to be harmful to health


→ The decrease in the consumption of „unhealthy” food was not only caused by price increase, but also by positive changes in the population’s attitude

Key conclusions of the impact assessment

2. NETA is also successful at macroeconomic level



The estimated tax revenue was almost fully realized (less than 5% deviation)



Balance sheet data of „large NETA payers” improved from 2010 to 2011

3. More effective public communication could improve the efficiency of NETA

2nd Impact Assessment of the Public Health Product Tax, 2014

- The tax was evaluated 4 years after its introduction, as review and assessment of its impact were among the tasks outlined in the national “**Healthy Hungary 2014–2020**” strategy.
- More and more countries are introducing taxes on foods to improve the diet of the population.
- As complex **evaluations** based on real data over several years are not widely available at international level, sharing the Hungarian experience could be of considerable interest.
- The **WHO** Regional Office for Europe provided financial support for this impact assessment.

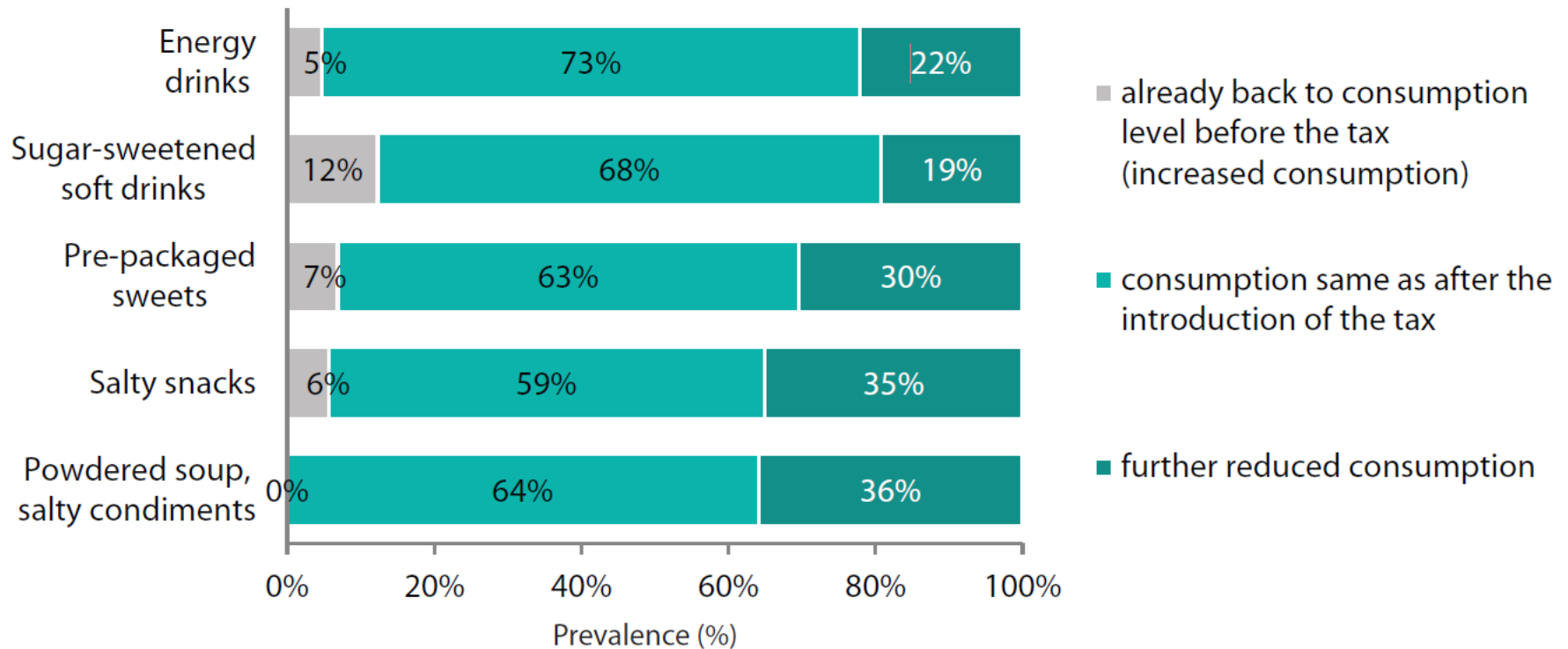
The objectives of the second impact assessment

- ❖ to assess whether the impact found earlier among adults on the consumption of taxed products has been **sustained**,
- ❖ to study how **consumption has changed in population groups** with different health risks and socioeconomic status,
- ❖ to determine the **economic consequences** of the tax paid by companies.

Features of the second impact assessment

It was conducted in 2014 as part of the National Diet and Nutritional Status Survey (OTÁP2014) of the **National Institute for Food and Nutritional Science** on a subsample of the population covered by the European Health Interview Survey performed by the Hungarian Central Statistical Office.

Was the impact on consumption sustained? (2014)

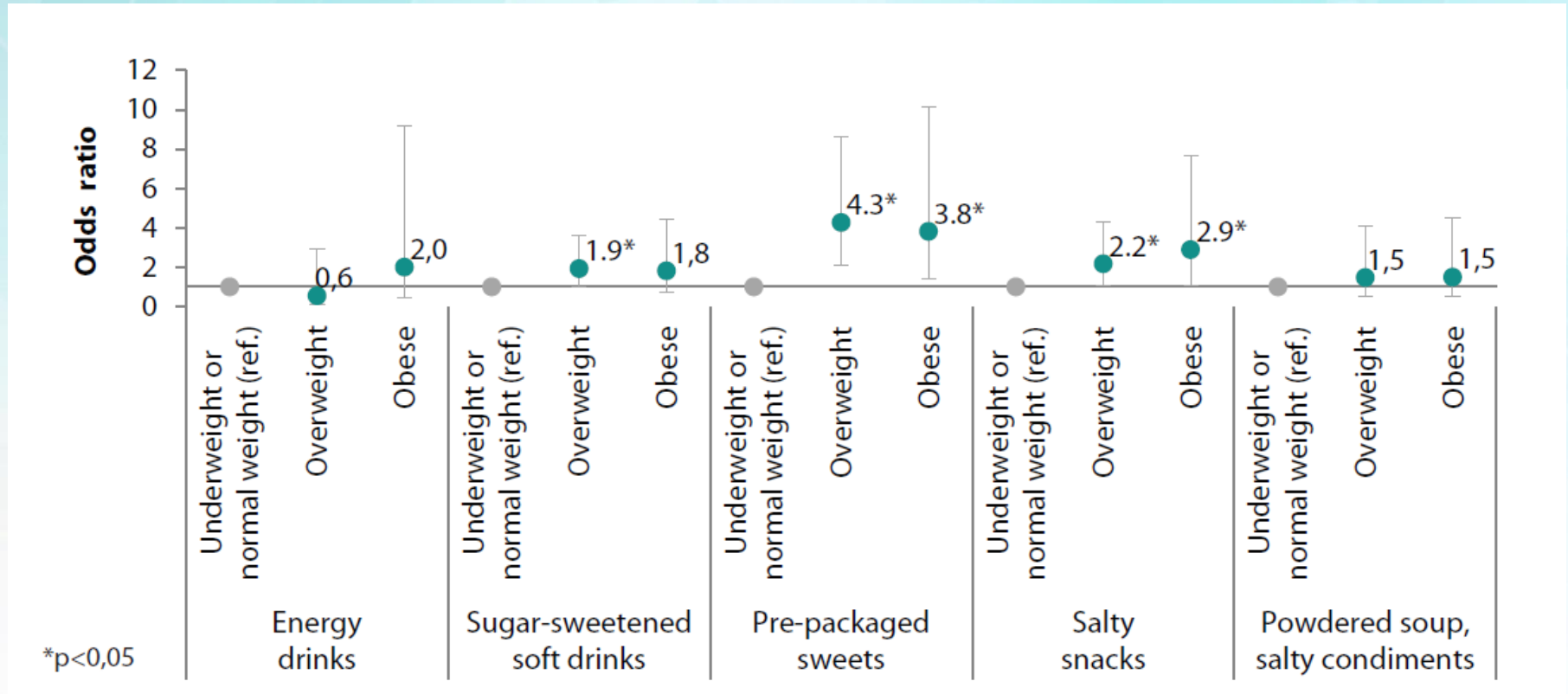


Most frequent reasons for decreasing consumption, 2012 and 2014

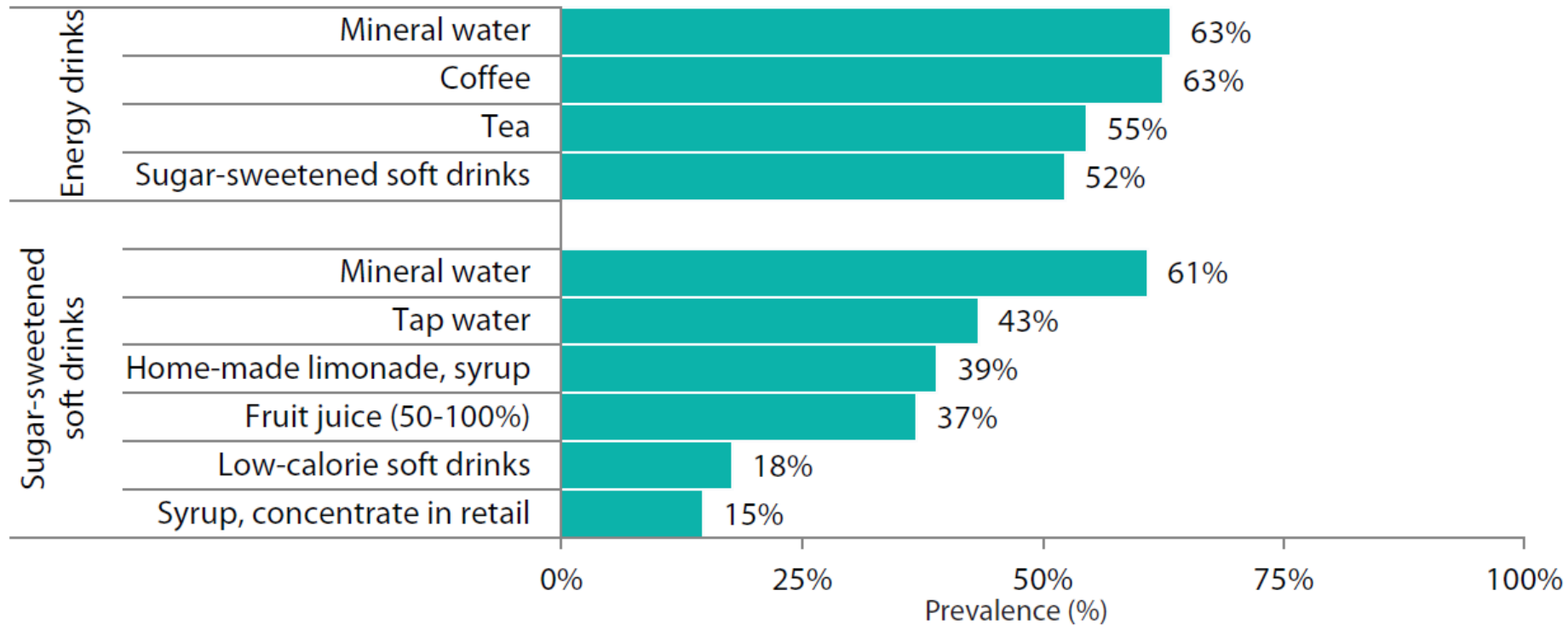
Product	Price increase		Learnt that unhealthy	
	2012	2014	2012	2014
Energy drinks	61%	67% ↑	38%	54% ↑
Sugar-sweetened soft drinks	67%	51% ↓	27%	54% ↑
Pre-packaged sweets	81%	66% ↓	22%	47% ↑
Salty snacks	81%	56% ↓	19%	50% ↑
Powdered soup, salty condiment	–	69%	–	37%



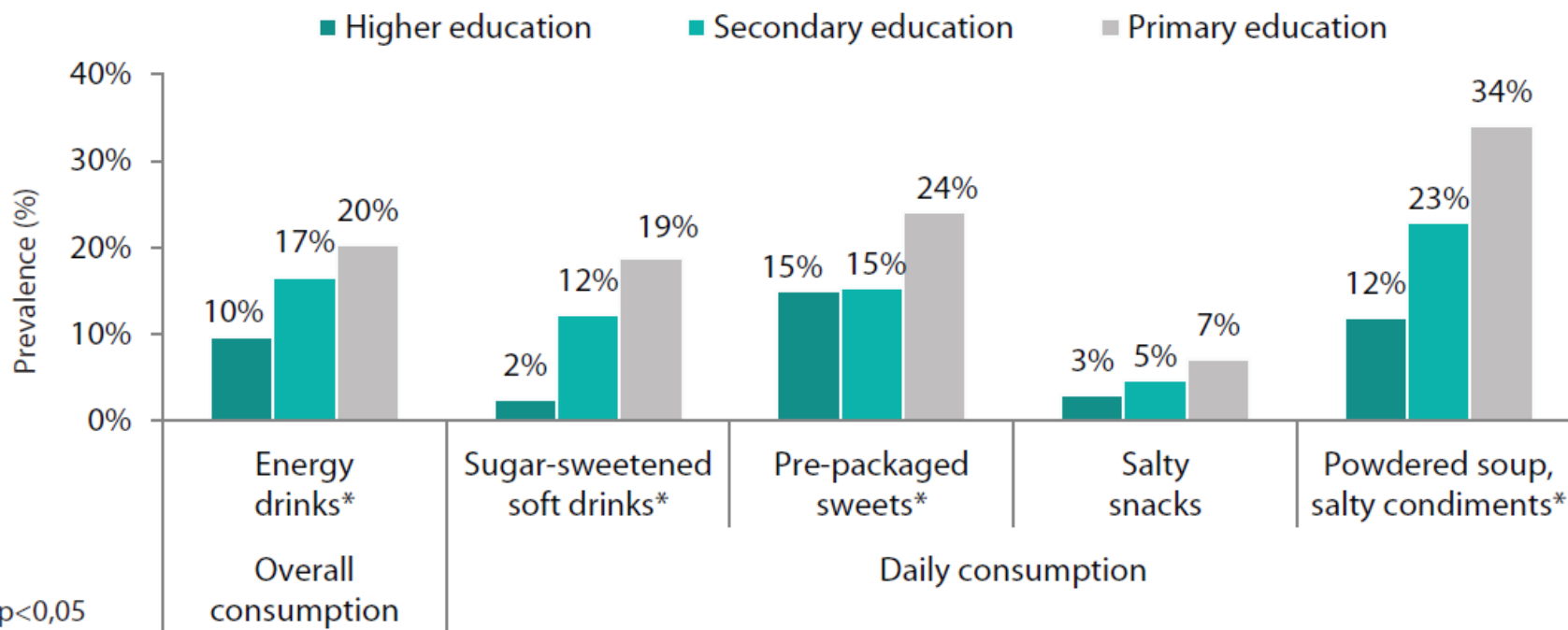
Associations between reduced consumption and weight category, 2014



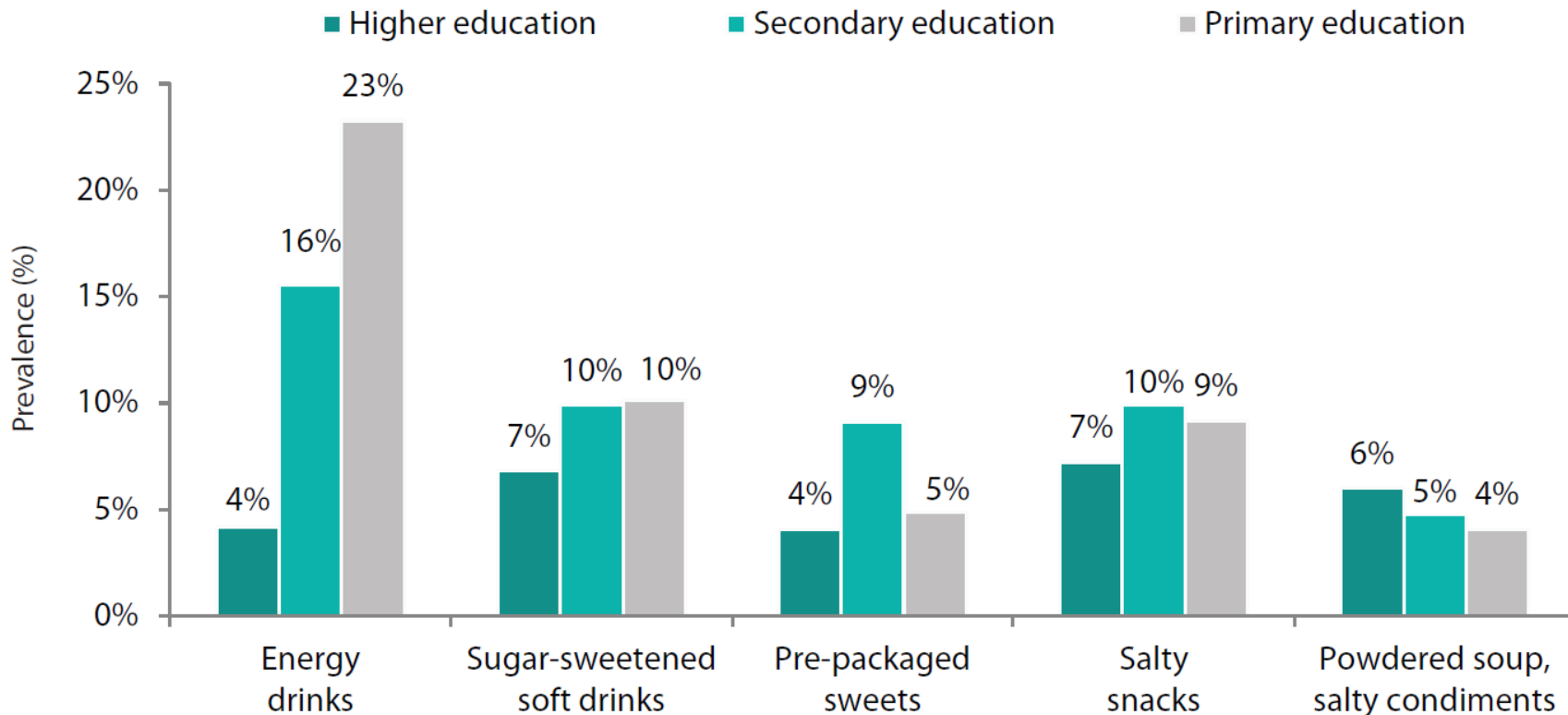
Proportions of people who substituted PHPT products with other products as a proportion of all substitutes, 2014



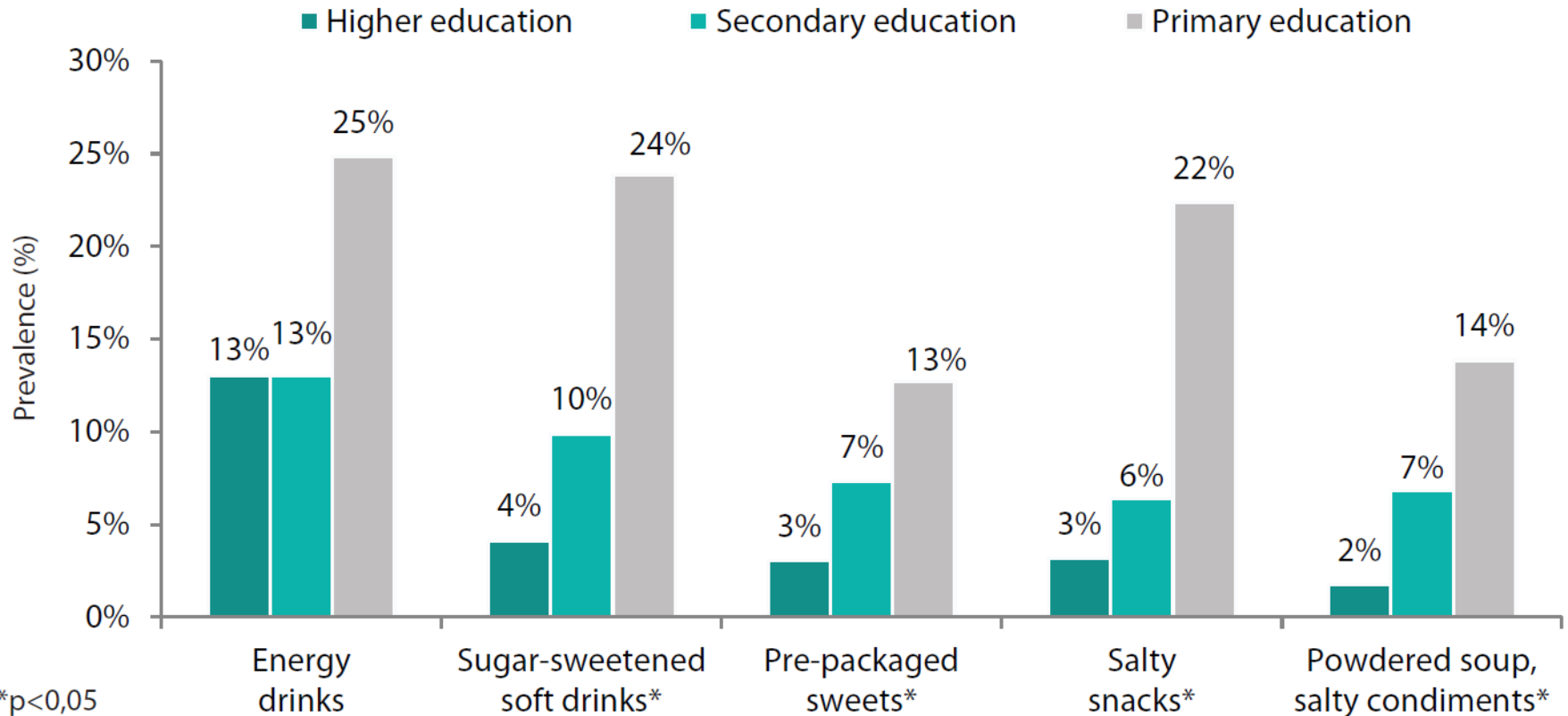
Overall and daily consumption of PHPT products by educational level, 2014



Proportions of people who reduced their consumption of specific product groups, by educational level, 2014

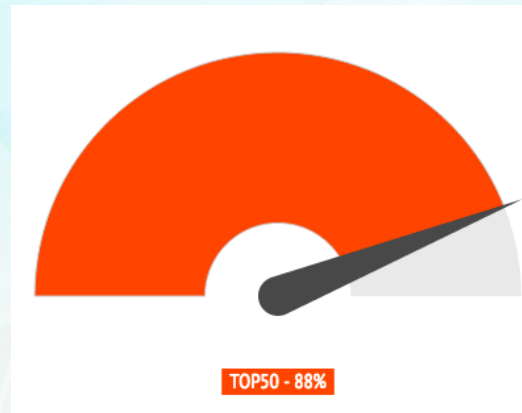
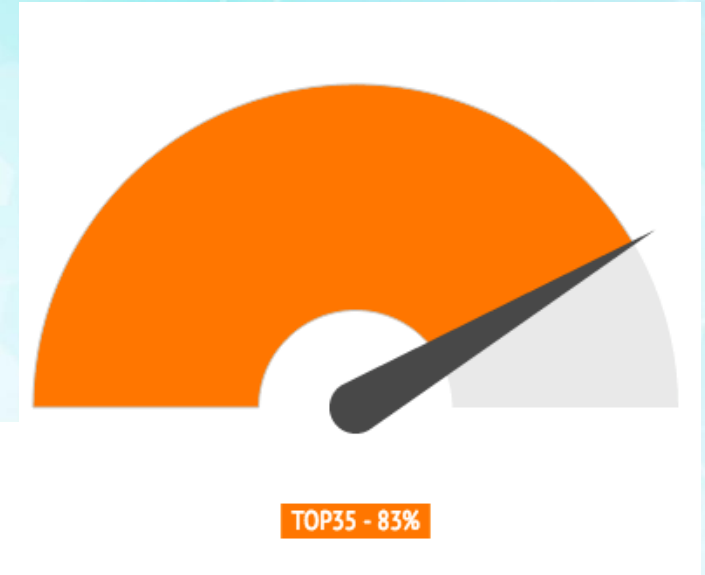
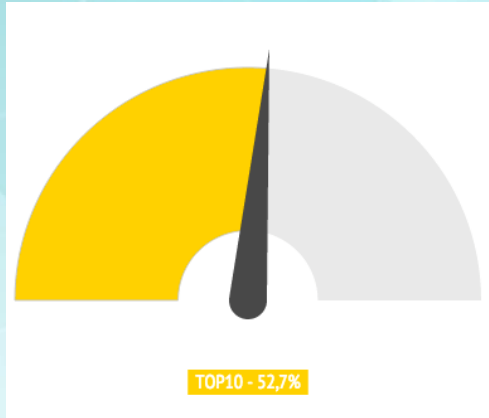


Proportions of people who bought cheaper products after introduction of the PHPT, by educational level, 2014



*p<0,05

Proportions of total tax revenue paid by top tax-paying companies, (2014)



The revenue generated by the PHPT made it possible to raise the wages of 95 000 health care workers.

Recommendations

- ❖ Targeted health communication and other policies could be used to extend the impact of the food tax to other population groups, especially those with lower educational levels.
- ❖ In order to reach these people, local, targeted awareness-raising and educational programmes and complementary measures should be conducted.
- ❖ Consideration should also be given to introducing price subsidies for healthy food products, such as fruits and vegetables.
- ❖ It is recommended that the PHPT be raised on certain products, such as sugar-sweetened soft drinks. The additional revenue could be used for public health programmes, targeted health communication
- ❖ The impact of the PHPT should continue to be monitored and evaluated.

Lessons learnt

- **PHPT is a good example showing that a fiscal instrument can be an effective tool to improve nutrition behaviour and habits of the consumers, and can also serve as a good trigger for food reformulation (and not lastly an alternative financing mechanism for public health funding).**
- Adequate information to consumers and continuous communication with the food industry is essential for
 - maintenance of the PHPT,
 - measurable effects,
 - prevention of tax avoidance.
- Principles and logic of the tax should be as simple as possible for easy explanation and digestion to and by consumers (strong basis for justification).
- Affected product categories must be well defined for clear and uniform application of the provisions (number of exceptions as low as possible).
- Must be capable of inducing effect on food consumption (importance of communication and monitoring!).
- Flexibility and rapid finding of solutions are crucial for improvement and handling critics.

Thank you for your attention!



World Health Organization
REGIONAL OFFICE FOR Europe

GOOD PRACTICE BRIEF

PUBLIC HEALTH PRODUCT TAX IN HUNGARY: An example of successful intersectoral action using a fiscal tool to promote healthier food choices and raise revenues for public health

Summary

In 2011, the Hungarian Parliament passed legislation creating the public health product tax—a tax levied on food products containing unhealthy levels of sugar, salt and other ingredients in an effort to reduce their consumption, promote healthy eating and create an additional mechanism for financing public health services. Four years since the tax was introduced, consumption of taxable unhealthy foods in Hungary has decreased. Many food manufacturers have reduced or eliminated unhealthy ingredients in their products, population awareness of healthy eating has increased, and approximately US\$ 219 million in revenue has been raised and earmarked for health spending.

Responding to a public health crisis

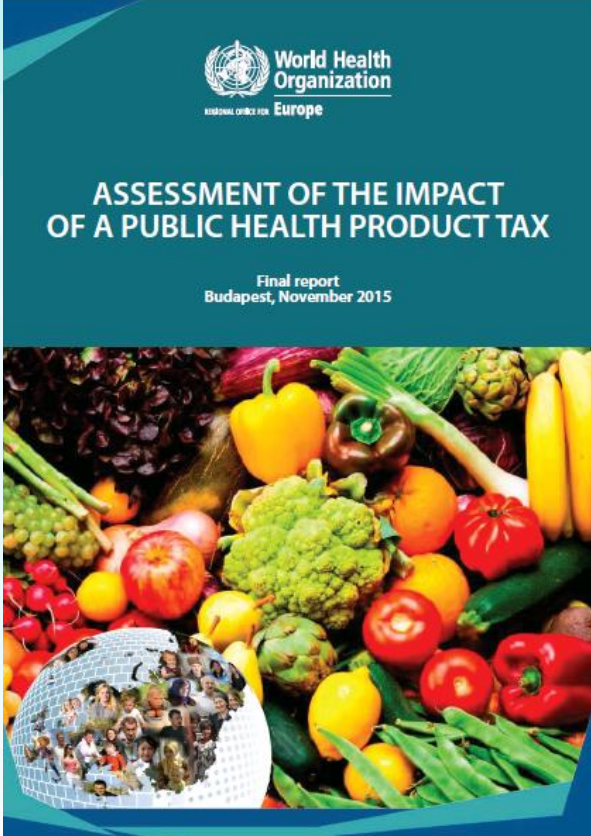
Noncommunicable diseases are the leading causes of morbidity and mortality in Hungary. The rates of death from ischaemic heart disease, stroke and cancer are among the highest in the industrialized world. Hungary is noted for having the highest average per-capita salt consumption in the European Region and approximately two thirds of the adult population is either overweight or obese. In recent years, the Hungarian Government has taken major steps to improve population nutrition. Initiatives include passing legislation to ensure nutritional standards in public catering, eliminating the use of trans-fats in food products, improving the nutritional quality of cafeteria food in schools, and introducing the public health product tax.

The public health product tax

In 2011, Hungary introduced the public health product tax—a levy raised on food products containing unhealthy ingredients exceeding a threshold level. Prepared collaboratively by the Ministry of Health and the Ministry of Finance and with the support of WHO, the tax is designed to promote healthy food

Key messages


- A fiscal instrument can play an effective role in improving the nutrition behaviour of the population.
- The public health product tax is not a silver bullet for addressing poor nutrition or a budget shortfall.
- Healthier products due to product reformulation are a positive consequence of tax avoidance.
- Improved nutrition literacy has been one of the outcomes of the tax improving nutrition behaviour beyond the direct impact of price increase.
- Intersectoral action enabled accurate problem definition, development of an appropriate policy solution, and effective implementation.
- Continuous refinement of legislation after initial enactment was essential for exposing and shutting loopholes, ensuring tax's effectiveness.
- The unhealthy product tax is compatible with European Community law.



World Health Organization
REGIONAL OFFICE FOR Europe

ASSESSMENT OF THE IMPACT OF A PUBLIC HEALTH PRODUCT TAX

Final report
Budapest, November 2015



Information: krisztina.biro@emmi.gov.hu