

FAT TAXATION A DIRE NEED IN INDIA

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ABSTRACT

According to a 2017 report by the National Nutritional Monitoring Bureau, more than half of Indian people are overweight or obese. The establishment of various policy measures has been suggested in the National action plan for the prevention and control of non-communicable illnesses to stem this expanding epidemic. The implementation of a fat tax, which is a surcharge or tax levied on foods and beverages containing excessive amounts of fat, is one such approach. Without considering the potential public health effects, the Indian government has taken a number of direct budgetary initiatives to develop sectors associated to the manufacturing of high-fat, high-sugar, and high-salt foods. As a result, raising the price on harmful junk items should encourage individuals to eat healthier meals, which will have a good influence on their health. Fat taxes, on the other hand, encountered various difficulties during implementation in nations such as Denmark, Hungary, France, and the United States. The taxation issue, setting tax limits, and infringing on people's autonomy rights were all major challenges. Evidence shows that taxing alone would not reduce the burden of non-communicable illnesses; instead, it must be paired with other measures such as subsidies, access to healthy foods, and public health education campaigns and programmes.

KEYWORDS: *Fat Taxation, Health Education, Campaigns*

1. INTRODUCTION

Throughout the world, there has been an epidemiological shift from communicable to non-communicable diseases over the last decade (both developed and developing countries). Non-communicable illnesses are responsible for over 60% of all fatalities and 47% of the global disease burden. Low- and middle-income countries, particularly China and India, account for the majority of these deaths. Behavioral changes such as tobacco and alcohol use, as well as sedentary lifestyle behaviours such as an unhealthy diet and lack of physical activity, are factors contributing to this transformation. These variables either directly or indirectly induce overweight and obesity, which can lead to serious non-communicable diseases.

According to the World Health Organization (WHO), more than 1.9 billion persons worldwide were overweight in 2016, with 650 million of them being obese.

Obesity and overweight were originally only a concern in high-income countries, but they are now frequent in middle- and low-income countries as well.

Over the last three decades, India has seen an increase in the prevalence of overweight and obesity. In a 2017 survey conducted by the National Nutritional Monitoring Bureau on the food and nutritional status of India's urban population, more than half of the adults were overweight or obese. As a result of the rapid growth in obesity, the Government of India (GoI) has set the goal of arresting the obesity pandemic by 2025 as one of the ten priorities in the National Action Plan for Noncommunicable Disease Prevention and Control. The creation and execution of policy measures to minimize the use of saturated fats and trans-fats by food producers and processors were suggested as action points for achieving this goal.

The imposition of a fat tax is one policy tool that has been tried and tested in many countries. A fat tax is a surcharge or levy levied on foods and beverages that are heavy in fat or on people who are overweight. Several governments have experimented with imposing fees on specific food items in order to internalize the negative externalities associated with the use of ecologically unfriendly and unhealthy foods.

Imposing taxes can increase the price of a commodity, resulting in a decrease in demand for unhealthy foods. The impact of fat taxation on public health and the problems of implementing it across India are critically examined in this study.

2. METHODS AND MATERIALS

2.1 STRATEGY OF SEARCH

We did a literature analysis on a study aiming at determining the public health impact and problems of fat taxation at the worldwide level, with a particular focus on India. Search engines like PubMed, Google Scholar, and Science Direct were utilized to find material on fat taxes from all over the world. Keywords included "Fat Tax," "Fat Taxation," "Public Health," "Challenges," "Food Tax," and "Food Production Sectors" in the search approach. The time frame for the search was from the beginning to the end of 2018.

The following were the inclusion criteria for the reports, legislation documents, case studies, original articles, review articles, and other related documents considered for the review:

- (1) Written in English,
- (2) Open access documents and reports available on the journal/website,
- (3) Dealt with section on fat taxation, its public health impact, and implementation challenges around the world, with a particular focus on India. The current review comprised 22 relevant original and review publications.

2.2 SITUATIONAL ANALYSIS

According to the Directorate of Vegetable Oil, Vanaspati, and Fat (DVOF), total edible oil consumption from both imported and indigenous sources climbed to about 20 million tons in 2012-2013, up from 11.8 million tons in 2004-2005. Water availability, low-cost labor, agro-climatic conditions appropriate for a wide variety of crops, product manufacturing advancements, packaging technology enhancements, and a vast live-stock base are all contributing to the growth of the processed food business in India. The following policy measures have a significant facilitating effect: 100 percent tax exemption for five years, followed by a 25% tax exemption for another five years for newer companies; 100 percent allowance for export oriented units to sell 50 percent of their own products in the domestic market; waiving import duty on capital goods and raw materials for all export oriented units; and exemption of export goods from taxation. The aforementioned governmental initiatives have mostly aided the growth of industries such as biscuits, chocolates, confectionery, savory snacks, and ice creams. These foods are all high in fat, salt, and sugar.

Departments under several ministries in India have promoted a pro-investment environment for fat, salt, and sugar markets, either directly or indirectly linked to these markets, without comprehending the possible public health effects.

These legislative measures encourage individuals to consume more high-fat, high-salt, and high-sugar food.

3. EFFECT OF FAT TAXATION ON PUBLIC HEALTH

The imposition of higher tariffs on harmful junk items should encourage consumers to consume more nutritious foods such as fruits and vegetables, particularly among younger

persons. The findings of a comprehensive study conducted in 2013 by Powell et al. showed that a 20 percent tax on sugar-sweetened beverages might result in a 24 percent reduction in their use among younger adults.

A study conducted by the Lancet Taskforce, an official partner of the World Health Organization's Independent High Level Commission on Non-communicable Diseases, and focusing on several countries, including India, found that higher taxes on junk food not only benefit higher income groups, but also lower income groups, in terms of living a healthier life and remaining safe from non-communicable diseases.

Aside from the Lancet study, a number of additional studies conducted around the world have demonstrated that fat taxing has a favorable influence. Cabrera Escobar and colleagues did a meta-analysis on the impact of raising the prices of sugar-sweetened beverages, which revealed a decrease in the prevalence of obesity and overweight in the population.

According to Jensen and Smed, fat consumption in Denmark has decreased by around 10% as a result of the levy implemented in 2011, while a study conducted by Smed et al. concluded that consumption has decreased by 4–5%. These studies give adequate data to demonstrate that taxes on food items can aid in the modification of consumption patterns as well as the internalization of the negative externalities associated with such behaviors.

Aside from its positive impact on health, it also has a significant positive impact on the economy of the country. According to the findings of the Lancet Taskforce, price policies will have a greater impact on high-income households than on low-income households, and the absolute increases in expenditure associated with price policies will be the greatest for high-income households. This is due to the fact that the prevalence of consumption as well as the expenditure on alcoholic beverages, soft drinks, and snacks increases in tandem with the household's earnings.

Another advantage associated with taxation is the generation of revenue, which can be used to fund a variety of health initiatives and programmes, such as those to prevent obesity, support the improvement of nutritional status and food quality, and encourage the practice of physical activity, among other things.

4. THE IMPLEMENTATION OF FAT TAXATION THROUGHOUT INDIA HAS BEEN FRAUGHT WITH DIFFICULTIES.

4.1 Debate on Taxation

The question of whether fat taxation was intended to reduce the burden of obesity all over the state or country and change the consumption habits of the population, or whether it was intended to generate additional revenue for the government through taxation, or both, was a major point of contention during the debate over fat taxation. If there is a competitive market, the incidence of taxation is determined by the relative price elasticity of demand and supply for the goods and services that are subject to taxation. If the demand curve becomes price inelastic, then the implementation of a tax will result in a lesser drop in the quantity demanded when compared to when the demand curve becomes price elastic, as seen in Figure 1. A further consideration is that when the demand curve is more elastic than the supply curve, the majority of the tax burden will eventually fall on the supplier's side rather than the buyer's side, and vice versa. In terms of the supply side, it is possible that producers of taxed fast food will not be able to fully pass on the entire burden of taxing to the customers. Specifically, John Nye argues in his study *The Pigou Problem* that any tax collection that is set solely on the basis of the extent of negative externality, without taking into account other rules and transfers that affect equilibrium, would not tell us what the ideal tax will be.

4.2 Problems of morality

When it comes to fat taxes, one of the most significant ethical concerns is the autonomy of people in their daily access to food at a reasonable cost that is affordable for all, as well as the decision to choose between healthy and unhealthful food options. After that, the ethical question of whether banning specific food goods from consumers through taxation are ethically acceptable or not may arise.

4.3 Fat Tax Limit Setting Decisions

One of the most pressing questions is how much of a fat tax should be imposed if it is to be implemented on a national scale. The answer to the above question can be derived by evaluating information regarding the present level of per capita fat consumption and the daily recommended level of fat consumption in the state or country in question, as these

levels can differ from one country to the next. Prior to establishing a tax cap, it is important to evaluate the implications of input supplies, demand elasticity, and substitution effects amongst different fat goods. Nevertheless, as previously stated, the 14.5 percent fat tax imposed in Kerala did not generate enough revenue to justify the 14.5 percent taxes.

5. RECOMMENDATIONS

5.1 Subsidies on healthy food items

The imposition of fat taxes on their own will have little effect on the consumption habits of the general public. Fiscal interventions are required to construct an extended public health nutrition strategy that is more successful than a single intervention in order to achieve greater results. A fat tax, in conjunction with subsidies on unsaturated fatty acid goods, fresh fruit, and vegetables, should be adopted in order to encourage healthy eating patterns.

5.2 Public health education and awareness

Conveying a message to consumers about the dangers of consuming unhealthy food items that are high in saturated and trans fatty acids and sweeteners is critical because it will aid in the justification of fat taxation while also inducing a further reduction in consumption of unhealthy food items. Studies have also demonstrated that increasing public health awareness initiatives and enhancing nutrition-related information can considerably increase the consumption of nutritious foods, regardless of an individual's socioeconomic status or education level. A successful public health campaign and programmes should be implemented in conjunction with the implementation of fat taxation throughout the country, as a result.

5.3 Healthy foods are easily accessible.

Improved access to healthy foods may play a critical role in reducing the prevalence of the habit of consuming unhealthy food items. The ease with which healthy food items may be obtained has also been shown to shift people's attention away from unhealthy food items and toward the consumption of fresh vegetables and fruits, according to some research.

5.4 In schools and businesses, create an environment that promotes health and nutrition.

People spend the majority of their time at schools, colleges, and places of employment, and as a result, interventions should be focused on these settings. Children and adults can

benefit from nutrition instruction and the availability of nutritious snacks or food products in schools, childcare facilities, colleges and other educational establishments, workplaces, and hospitals.

6. CONCLUSION

The establishment of a fat tax across the country could be advantageous in terms of reducing the burden of obesity while also generating additional revenue for the country. Nonetheless, a fat tax on its own will not have a substantial influence on the reduction of non-communicable diseases. In order to be effective, it should be combined with effective public health awareness programmes that make use of the revenue gained from taxation.

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