

Taxation and Health

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My Background

- Academic Clinical Fellow and Specialty Registrar
- Interest in the Social Determinants of Health
- Working with Dr McCoy on 'Tax and Health'

Lecture Overview

- Introduction:
 - 'Why taxation and health?'
 - A brief history of taxation
- The interactions between taxation and health
- Taxation in low-income countries (LICs)
- Taxation and globalisation
- Conclusion: 'Reform for Tax Justice and Public Health'

'Fat tax' on junk food

Prices may rise to boost the war against obesity

by Susan Powell
Consumer Affairs Editor



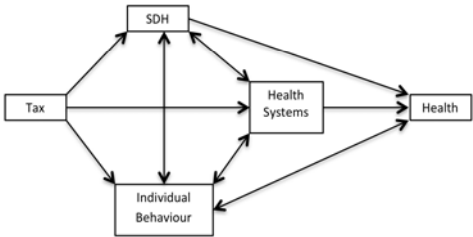
WHAT IT MIGHT COST
New prices would raise 8 ppc each, imposed on these fatty foods

Asda English cheddar 600g	Current price £1.26
Asda cheddar 600g	Price plus VAT £1.59
Current price £3.26	Price plus VAT £3.99
Current price £1.19	Price plus VAT £1.47
Current price £3.50	Price plus VAT £4.27
Current price £1.25	Price plus VAT £1.53
Current price £1.50	Price plus VAT £1.83
Current price £2.50	Price plus VAT £3.07
Current price £1.50	Price plus VAT £1.83
Current price £1.50	Price plus VAT £1.83
Current price £1.50	Price plus VAT £1.83

INTRODUCTION

Why Taxation and Health?

Tax is a 'meta-determinant' of health



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    graph LR
      Tax --> SDH
      Tax --> IB[Individual Behaviour]
      SDH --> HS[Health Systems]
      IB --> HS
      SDH --> Health
      IB --> Health
      HS --> Health
    
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A brief history of taxation...



- Ancient civilisations
- Empire
- Globalisation

'No Taxation Without Representation'



Taxation and State Formation: Global North

Prichard's 3 interconnected processes of tax and good governance:

1. 'Common Interest' processes
2. 'State Apparatus' processes
3. 'Accountability and Responsiveness' processes

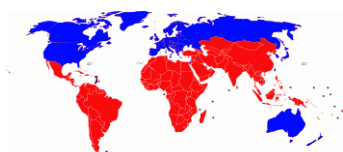


Colonialism in the Belgian Congo

The 'European commandant is not posted to observe nature... He has a mission... to impose regulations, to limit individual liberties.... to collect taxes' (Young, 1994)

Taxation and State Formation: Global South

- Colonialism
 - Subjugation
 - Expropriation
- Post-colonialism
 - Poor state infrastructure
 - Political distance: local/national govt
- Globalisation
 - Globalised markets
 - Creation of rentier states



Political Pathologies of Rentier States

1. Autonomy from citizens
2. External intervention
3. Coupism and counter-coupism
4. Disengaged civic politics
5. Prone to insurgency
6. Non-transparency in public expenditure
7. Ineffective public bureaucracy



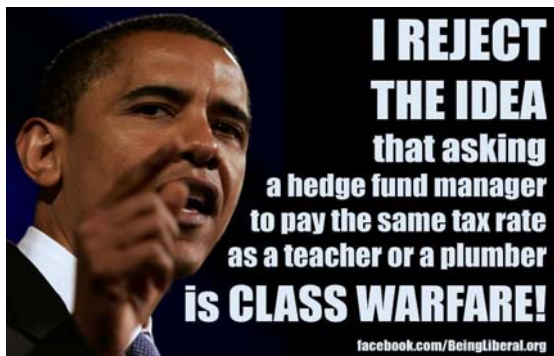
INTERACTIONS: TAX AND HEALTH

Definition of Taxation

'pecuniary burden laid upon individuals [natural person or corporate entity] or property owners to support the government [...] a payment exacted by legislative authority' – Black, 1979

- *Method of taxation* – direct or indirect taxes
- *Base of taxation* – the resources available for taxation
- *Rate of taxation* – progressive, flat or regressive
- *Tax incidence* – who bears the burden of taxation

Functions of Tax



Revenue generation

Addresses 3 key social needs:

- Basic needs of human development
- Education, public health and increasing economic potential of citizens
- Sustainable social institutions and governance structures

Redistribution

Reducing income inequality... Why?

- Social stratification
- Structural driver of:
 - Violent crime
 - Reduced social mobility
 - Poor educational attainment
 - Premature mortality & morbidity
- Moral impetus: social justice theory

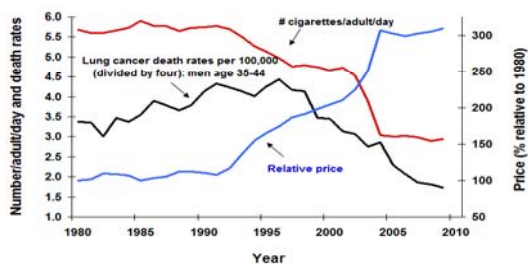
Re-pricing

- Inducing healthy behaviour without creating economic distortions
- Special attention to 'sin taxes' – tobacco, alcohol, unhealthy foods
- Create a 'win-win-win' situation:
 - Decrease harmful consumption and improve public health
 - Increase government revenues
 - Reduce need for expensive treatments in the future

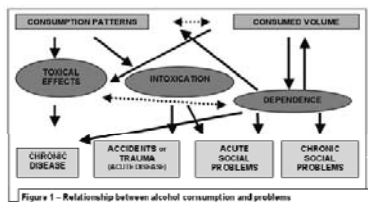
Taxing tobacco – recommended practice

- Tobacco use is price sensitive
- Tax should be progressively increased above RPI
- Tax should account for 75-80% of price
- Price should be consistent across products to reduce product substitution
- Need to be complemented with anti-smuggling efforts

France: smoking, prices and lung cancer rates in young men, 1980–2004



Taxing Alcohol



- Greater variation in forms of alcohol
- Volumetric taxes most effective
- Some political resistance, e.g. Hong Kong

Health-related Food Taxes

- Relative difficulties with 'sin taxes':
 - Tobacco < Alcohol < Unhealthy food
- Ingredients (nutrients) or whole products (foods)?
- Elasticity: Substitution and alternatives
- Tax burden: industry or individuals?
- Other fiscal approaches



Representation

- State-society relationship
- 'Good' tax systems – Prichard's processes
- 'Bad' tax systems – systematic social disadvantage
- Examples...

Tax and Gender Inequality in LMICs: Personal Income Tax

Element of PIT	Explicit Bias	Implicit Bias
Rate structure		South Africa, Morocco, Argentina, India, Ghana
Allocation of non-labour income/family business income	Argentina	Ghana
Allocation of tax preferences, exemptions, deductions	Morocco India Argentina	South Africa Morocco
Collection of income tax		South Africa

Regulation

- Illicit trade
- Financial transactions – ‘Tobin’ Tax
- Bank tax
- Global research tax
- Capital flight

“inefficient, inequitable, beset with complications and anomalies and unable to cope with rising expenditure requirements or external shocks”
(Coady, 1997)

TAXATION IN LICs

Low Population Contribution to Tax

Country Category	Average Tax Revenue (% of GDP)
Low income countries (LICs)	13.0
Low middle income countries (LMICs)	17.7
Upper middle income countries (UMICs)	20.7
High income countries/OECD countries	35.4

Low Population Contribution to Tax... Why?

- 1. Difficulties taxing the informal sector
- 2. Difficulties taxing the rich
- 3. Difficulties collecting taxes

Country	Total Capital Flight (1970 – 2008), USD billions
Nigeria	296.2
Angola	71.5
Côte d'Ivoire	45.4
South Africa	37.2
DR of Congo	30.7
Zambia	24.4
Cameroon	24.0
Republic of Congo	23.9
Zimbabwe	22.6
Ethiopia	20.1
Total for 33 countries	734.9

Successful Tax Reform Measures

Countries:

- Indonesia
- Sierra Leone
- Viet Nam
- Botswana
- Papua New Guinea
- Lao's Democratic Republic

Measures:

- Mineral resource rent taxes
 - Goods and services taxes
 - Administrative reform
- ↓
- Infrastructure, healthcare, pensions, social programmes

Neoliberalism, Tax Structures and Health

'Washington Consensus'

- 1. Trade liberalisation
- 2. Increased privatisation
- 3. Market deregulation
- Macro-economic stability, repayment of loans, increased FDI

Measures:

- Reduced public expenditure
- Remove price controls
- End subsidies on food crops
- User fees
- Fiscal tightening
- End minimum wages & labour production
- Elimination of tariff protection for local industries

'Dying for Growth'

'De-agrarianisation'

- Reduced food production
- Endemic malnutrition
- Rural-urban migration

Urban poverty

- Unemployment w/out social protection
- Growth or urban slums
- Increased sex work

Healthcare

- Reduced access
- Deterioration in quality



TAXATION AND GLOBALISATION

Why Unfair Tax Competition Matters



Tax for Development

More & better funding for development needed
– Current system failing?

An international system for taxation?

- Technically feasible & economically rational
- Mobilisation of new resources
- International political and fiscal approach to 'global public goods' (and 'bads')
- Moralise international transactions

Opposition

- Governance structure
- Ensuring representation
- Equitable tax incidence?



'The Globalisation of Solidarity'

Innovative financing facility

- 'The Air Ticket Levy'
- Engagement with markets
- 9 participating countries
- Global cooperation
- Global Health Projects
 - Diagnose, treat and prevent HIV/AIDS, TB, Malaria



CONCLUSION

An Agenda for Reform

Tax justice and (global) public health

1. Research
2. Advocacy
3. Governance & policy



"It's snappy, it's today -- I like it."

Recap

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Any questions?

THANK YOU.

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