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Workshop on health taxes: country experiences and best practices in policy-design and implementation

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Session 1: Designing Effective Health Taxes

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World Health Organization

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What are health taxes?

- Health taxes are taxes applied to health-harming products that have a negative health impact
- The most common are **excise taxes on tobacco, alcohol, and sugar-sweetened beverage taxes (SSBs)**
- Corrects for externalities and internalities
- Works best if implemented as part of a comprehensive policy intervention package

Revenue function

- Generates stable and predicable revenues
- Particularly efficient when demand is relatively inelastic

Corrective (Pigouvian) function

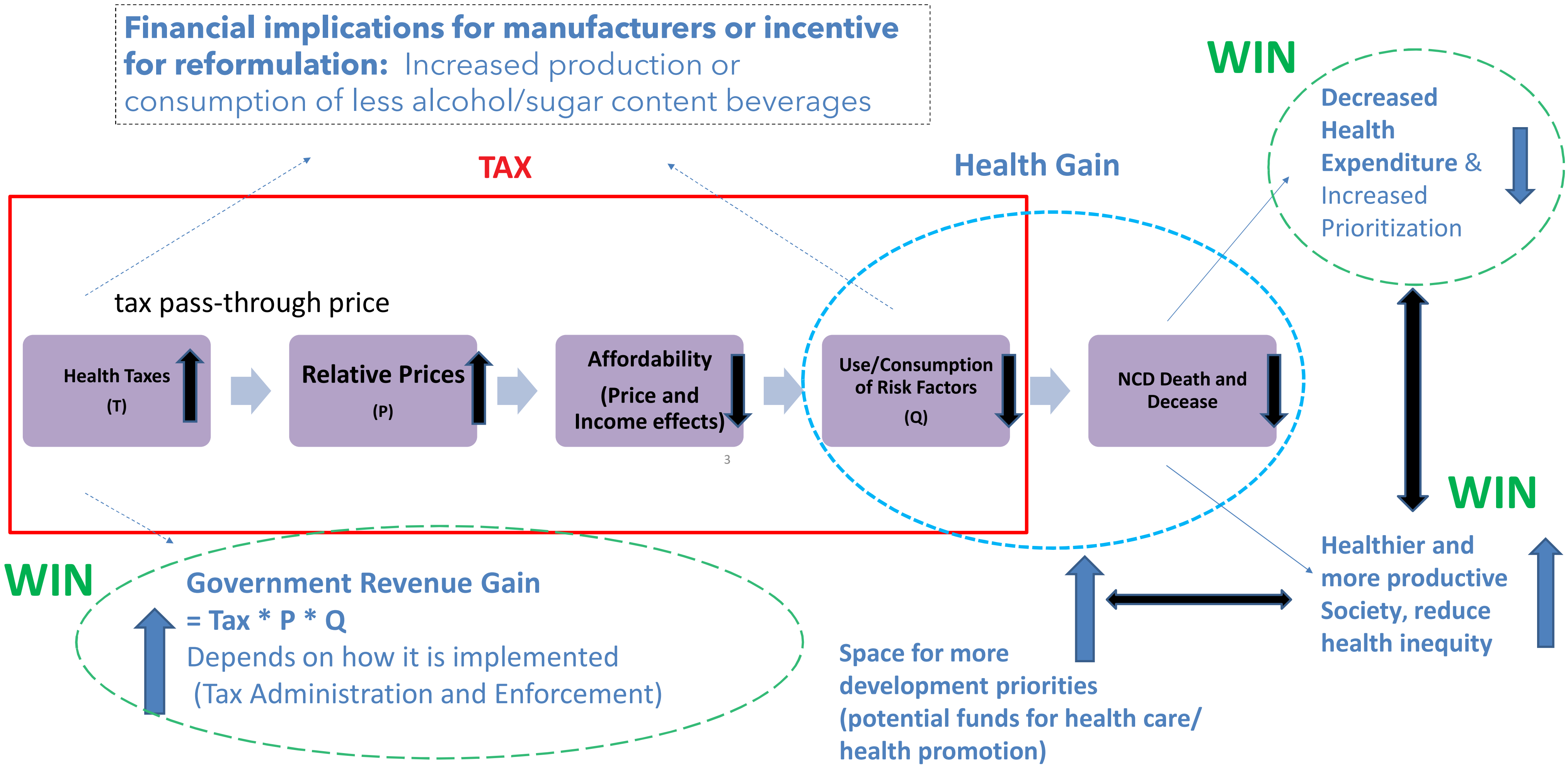
- Internalize externalities (eg health care costs, productivity losses, environmental costs etc)
- Internalize internalities arising from imperfect information, addiction and present-biased decision making

Health function

- Raise prices and impact affordability to reduce harmful consumption
- Influence initiation, intensity and overall consumption of health-harming products

Source: WHO (2019) Health taxes, a primer. Available at: https://www.who.int/publications/i/item/WHO-UHC-HGF-Policy-brief-19.7

How do Health Taxes work?



Key considerations in health tax design

1. What is the **objective** of the tax?

   - Reduce consumption, protect youth, mobilize revenues, other objectives?
2. What **products (scope)** should be taxed?
3. What **type of excise** tax should be applied?

   - Ad-valorem, specific , mixed?
4. What should be the **base** of the tax? **Specific tax base is preferred.**

   - For specific taxes, will it be content based or volume?

   - For ad-valorem, based on producer price, CIF or retail price?
5. Will the **tax structure** be uniform or tiered?
6. What should be the **rate** (or rates) of the tax?
7. Do we have the administrative **capacity to implement and enforce** the tax?

Key Points to Remember

- **Health taxes correct market failures.** Consumption of tobacco, alcohol and sugary drinks generates social costs not fully reflected in their market prices.
- **Tax structure matters.** Simple, specific tax structures preferred over ad valorem.
- **Broad coverage and tax all close substitutes in a similar way.** Avoid exemptions and preferential rates. Define products clearly and minimize complexity
- **Tax administration is not an afterthought.** Revenue and health outcomes depend on effective implementation. Policy design must be consistent with administrative capacity. Monitoring, compliance systems, enforcement, and data systems are critical.
- **Focus on affordability and not just rates.** *Tax -> Price -> Affordability -> Consumption -> Health.*
- ***Adjust specific rates regularly to account for inflation and income effects***

Health Taxes are Underutilized Tools

There is still room to improve on health taxes

TOBACCO TAX

At least 178 countries **but in 2024, only 40 countries (23%), mostly HICs were at the WHO highest level of accomplishment**

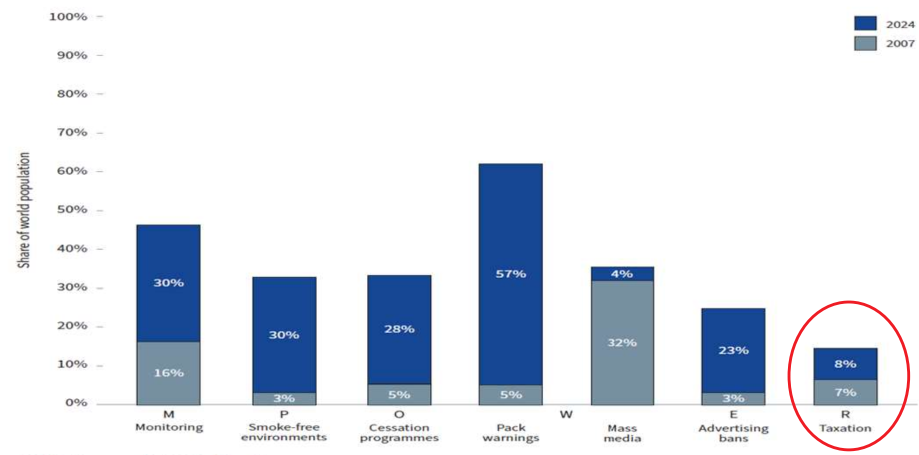
ALCOHOL TAX

At least 167 countries **but taxes are low and supportive policies such as annual adjustments are very poorly implemented**

SSB TAX

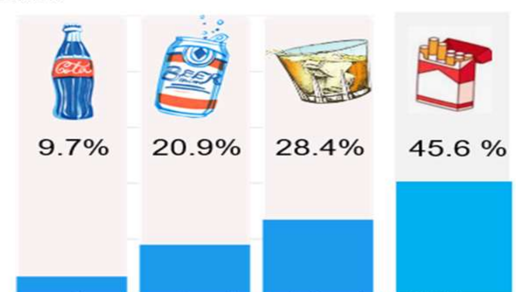
About 114 countries **have some form of beverage tax but not optimized for health**

Fig. 4. Increase in the world population covered by selected tobacco control policies, 2007ᵃ to 2024



ᵃ 2010 for W mass media, 2008 for R taxation

At least 167 countries apply excises to alcoholic beverages and 114 countries have some form of SSB taxes



Share of excise tax in retail price (%)*

*share of excise in the population-weighted average retail prices of : 330 ml of internationally comparable brand of SSBs, 330 ml of the most sold brand of beer, and 750 ml of the most sold brand of sprits

Source. WHO report on the global tobacco epidemic, 2025: warning about the danger of tobacco

Why are Health Taxes **Underutilized?**

Industry **SCARE** Tactics

S	**Increased Smuggling & Illicit Trade**
C	**Court & Legal Challenges**
A	**Anti-poor Rhetoric: Negatively Impact the Poor**
R	**Revenue Reduction**
E	**Employment Impact is Negative**

- **Be Prepared for Industry Pushback**
- **Every major public health advance requires political courage**

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Accelerating Health Taxes: **The 3 by 35 Initiative**

The 3 by 35 Initiative... is a global call to accelerate the implementation of health taxes—with a view to making health-harming products less affordable over time.

*"increase the **real prices** of any or all of **three health-harming products** — tobacco, alcohol, and sugary drinks — by **at least 50%** by **2035** through tax increases, while taking into account each country's unique context."*

Health taxes for a healthier future

Revenue		Health		Economy
Up to US$ 1 trillion in additional global revenue by 2035	+	**Millions of lives saved through reduced consumption and lower future treatment costs**	+	**Stronger health systems, more productive workforces**

Health taxation works!

"…Health taxes are a win-win for people and economies:

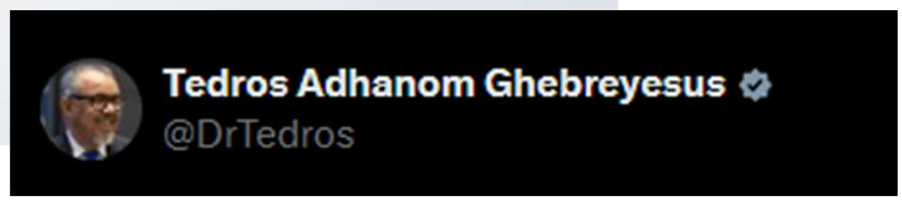
1) They help prevent disease and save lives by reducing consumption of harmful products;

2) They can generate billions in revenue that countries can reinvest in health and development.

…@WHO's 3 by 35 Initiative calls for countries to use tax increases to raise the real prices of three health-harming products – tobacco, alcohol, and sugary drinks – by at least 50% by 2035.

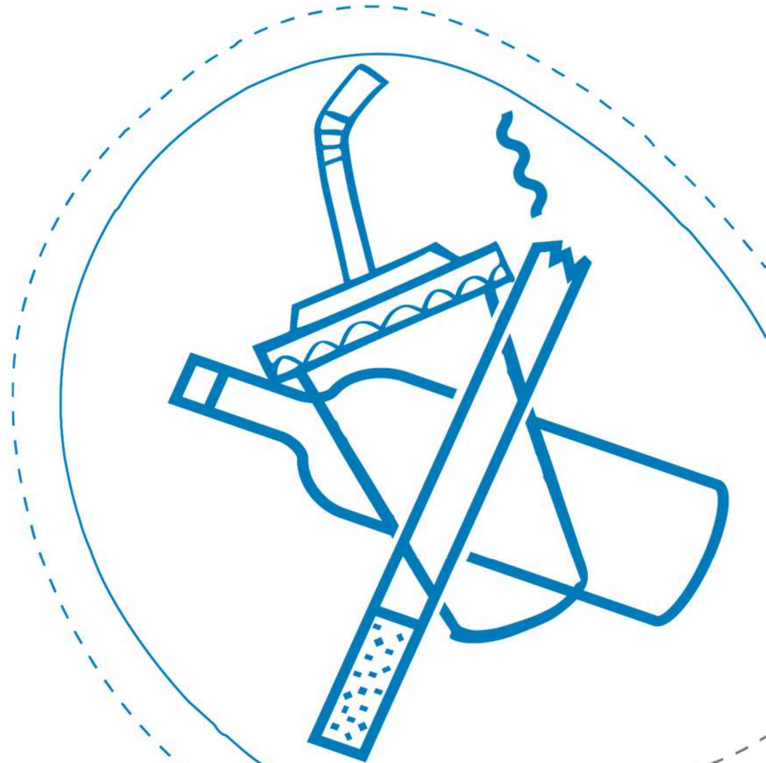
It's ambitious but it can be done,
because countries are already doing it…"

Sept 25, 2025



Concluding Remarks

- ✓ Domestic resource mobilization is key to achieving the SDGs. Health taxes can be an **NCD prevention accelerator** and SDG financing booster.
- ✓ **Health Taxes are SMART** and best implemented as part of a comprehensive package
- ✓ For optimal impact, health taxes must be **well-designed and implemented**



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Don’t be SCARED
Be Bold
Go SMART Health Taxes

Thank you!