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Public Health Product Tax The Hungarian Experience

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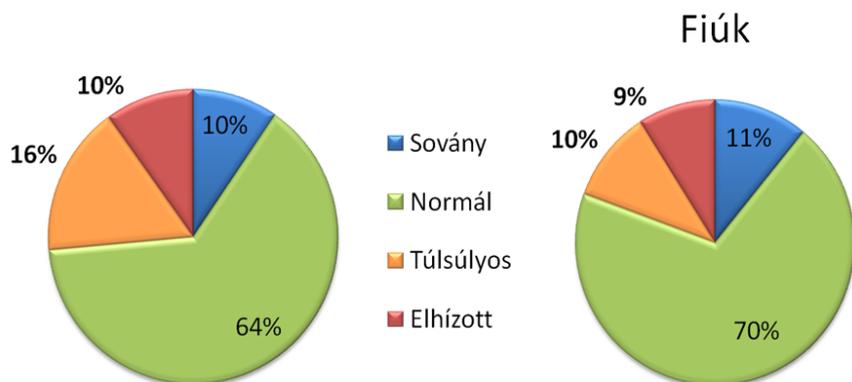
Hungary

National overview –Rationale behind the tax

Major global and national challenge – NCDs

- * Early mortality rate – **50% CVDs, 25% tumors**
- * National nutritional surveys - **nutritional risk factors** (high sugar, **salt**, fatty acid, and low fruit-vegetable intake) already present at children's diet (kindergarten and school meals)

Children (WHO COSI 2010 (2016))

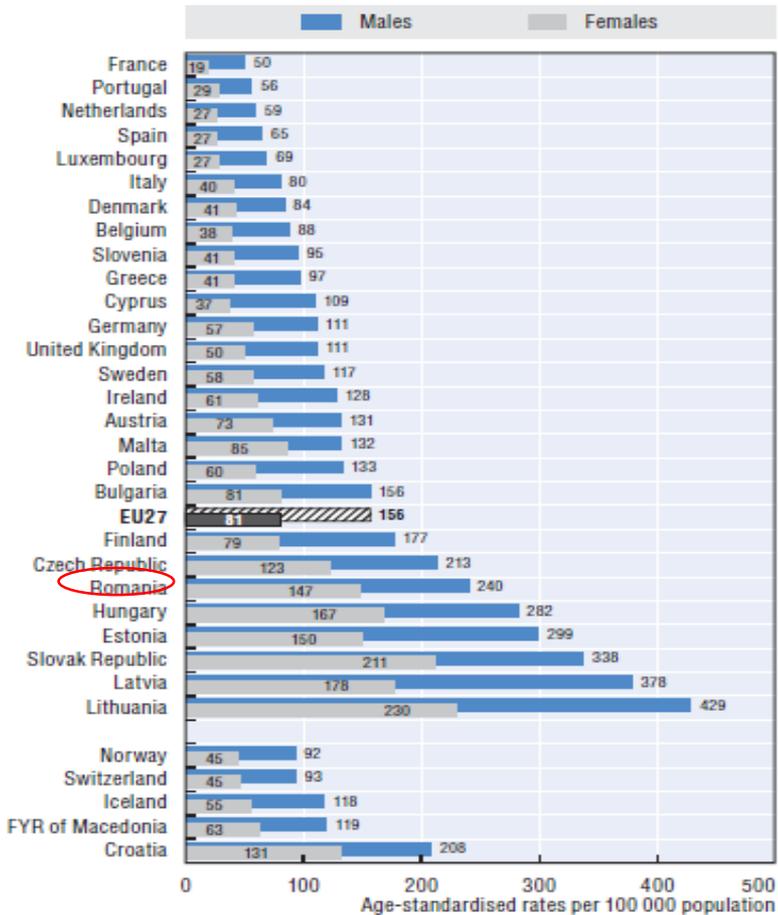


Minden 5. fiú és minden 4. lány
túlsúlyos vagy elhízott!

Adults (OTÁP 2009) 33% OW – 30.4% OB

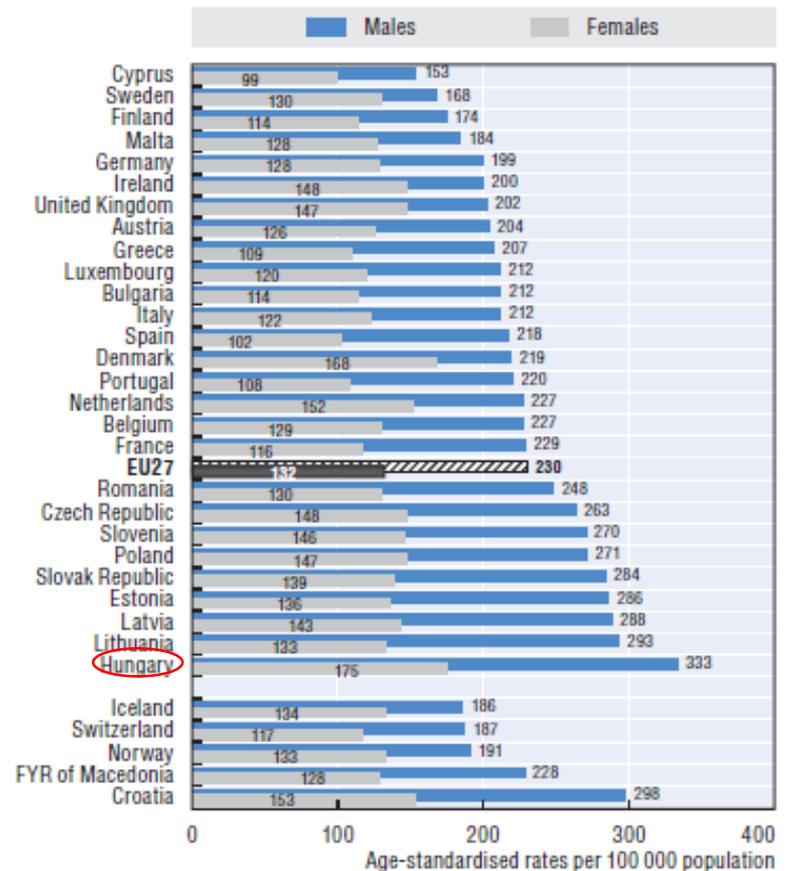


1.4.1. Ischemic heart disease, mortality rates, 2010 (or nearest year)



Source: Eurostat Statistics Database. Data are age-standardised to the WHO European standard population.

1.5.1. All cancers mortality rates, males and females, 2010 (or nearest year)



Source: Eurostat Statistics Database. Data are age-standardised to the WHO European standard population.

Health /Nutrition Policy: What to do?

Action	Current policy environment
Nutrition labelling	<p>Around 13 countries have mandatory nutrition labelling and about 8 require identification of trans fats</p> <p>Many have introduced stricter criteria for nutrient or health claims</p> <p>Many large food companies and retailers voluntarily put graphical labels on the front of packages giving information such as calorie content or guideline daily amounts</p> <p>A few governments are recommending more consumer-friendly labelling—for example, on menus</p>
Marketing to children	<p>About 22 countries have explicit policies on marketing to children; none are comprehensive but most include specific restrictions or require messaging on advertising</p> <p>At least 20 food companies have pledged to restrict advertising to children under 12 years old</p>
School food	<p>Around 30 national or local governments have restricted soft drinks in schools and introducing school food standards</p> <p>Some companies are taking voluntary action to restrict the availability of full calorie drinks in schools</p>
Promotion of fruits and vegetables	<p>Numerous countries have initiatives to promote consumption of fruits and vegetables, including fruit and vegetable distribution programmes for schoolchildren</p>
Reformulation	<p>At least 32 countries had salt reduction initiatives in 2010, and an increasing number of governments have taken measures to restrict trans fats</p> <p>Leading food companies are developing more comprehensive strategies on reformulation to reduce salt, saturated fat, etc</p>
Taxes	<p>European countries are taking an increasing interest in taxes in light of fiscal concerns (eg, Hungary, France, and Denmark) plus widespread discussion in the US and implementation in a few Pacific Island countries</p>

Public Health Product Tax (Act CIII of 2011)

- * Part of the comprehensive governmental nutritional-health legislative package
- * Approved by the Hungarian Parliament, entering into force in **September 2011**
- * MoH, MoF, with the support of WHO
- * Specific health objective
 - to provide healthier products available at the market (encouraging food reformulation)
 - promote healthy food choices and nutritional habits
- * **Economic objective** to create alternative funding mechanism for public health services (revenue earmarked for PH)

The tax applies to food products containing significant levels of sugar, salt, and caffeine/methyl-xanthin derivate, for which healthier alternatives are available.

Public Health Product Tax

* Product categories

- * Pre-packaged sweetened products (e.g. sweets, confectionary, chocolate, cocoa-containing products, sweet bakery products, biscuits)
- * Soft drinks with added sugar (syrops or concentrates as well)
- * Energy drinks (containing methyl-xantin alone or with taurine)
- * Fruit jams and similar sweetened preserves
- * Flavoured beer with added sugar
- * Alcopops (alcoholic soda beverages)
- * Alcoholic beverages
- * Excessive salty snacks
- * Condiments
- * Some exceptions (e.g. extra quality jams, milk-based products, fruit-vegetable syrups or drinks)

Impacts – IAs

* IA 1.0 (2012)

- 40% of manufacturers changed formula (either eliminating or reducing the quantity of ingredient)
- Manufacturer sales of taxable products decreased by 27%, with the price rising by 29% on average
- 25-35% of consumers consumed less than in previous year due to cost barrier and also change in attitude towards unhealthy foods
- Economic profile of major tax providers (paying 90% of the total income – not SMEs (!)) was also assessed (aggregated income, net result after taxing, number of employees increased, respectively)

* IA 2.0 (2014) Impact on the long run is demonstrated, as

- Reduced consumption of taxable products was sustained in majority of consumers (59-73%; 19-36% consumed even less)
- Significantly more people reduced consumption because learning that the product was unhealthy compared to the reason of price increase
- 7-16% choosing cheaper and often healthier product or changing to another brand of the product, or substituted with a healthier alternative

Success of the Hungarian PHPT

WHO Good Practice Brief

The legislation was subjected to an **EU Pilot Procedure** and was found to be compatible with EU law (tax liability of the product depends solely on its composition and is independent of its place of production)



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.

References

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Contact us

This brief is part of our work programme on strengthening the health system response to NCDs. For the full report on Hungary and other information, check out our website at <http://www.euro.who.int/en/health-systems-response-to-NCDs>.

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!

