

The Poverty Effects of a Fat Tax in Ireland

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SUMMARY

As part of a suite of measures to combat obesity, a tax on sugar-sweetened beverages (SSBs) (a version of the so-called “fat-tax”) has been proposed. One reservation about such a policy is the impact it would have on poorer families, as such beverages may form a higher portion of their budget. This study examined expenditure patterns and confirmed that this indeed would be the case. However, the effects upon poverty could easily be offset by a simultaneous subsidy on fruit and vegetables set at such a level that the overall impact on tax revenue would be neutral.

This research investigated the poverty impact of a tax on sugary and fatty foods and sugar-sweetened beverages.

DESCRIPTION

Research Objectives

This study carried out a detailed examination of expenditure patterns of Irish households using the nationally representative Household Budget Survey. The purpose was to investigate:

- the poverty impact of a tax on sugary and fatty foods and sugar-sweetened beverages in particular.
- a tax on SSBs which would be accompanied by a subsidy on fresh fruit and vegetables set at such a level that the impact on overall revenue would be neutral.
- combinations involving a tax of other fatty/sugary goods combined with a subsidy on fresh fruit and vegetables.

Research Methods

The study employed a consumption dominance approach which meant that the results obtained would be robust to a wide range of chosen poverty measures. Adjustments were made to the data to reflect differing family size and composition (vital in this area as consumption of SSBs is heavily influenced by these factors).



Research Findings

Analysis confirmed that a tax on SSBs would increase poverty as consumption of these goods is more concentrated amongst lower-income households. Both tax/subsidy packages were found to have a negligible impact upon poverty.



DETAILS OF THE IMPACT

Madden's research has had a direct impact upon policy in Ireland through his input into the **Health Impact Assessment report** on the proposed tax on sugar sweetened drinks prepared by the Institute for Public Health at the request of the Department of Health. It was also referenced in a submission by the **Irish Heart Foundation to the Joint Oireachtas Committee**¹ on Budget 2015 which focuses on a number of key actions concerning health-related beverage and food taxes which can be taken to raise revenue, while simultaneously promoting public health and lowering cardiovascular risk.

In addition to its significance to Irish Economic policy, the research has had international reach as it has been discussed in the **Obesity Route Action Plan Review**² prepared by the Scottish Public Health Network and was also an input to the **effect assessment modelling exercise** which was subsequently published in **BMC Public Health**³.

The findings of the research were communicated to the wider public through coverage in *The Sunday Times*⁴ (2013) and also in leading journals including **Health Economics**⁵ and referenced in the publication **Envisioning a Future Without Food waste and Poverty**.

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