

A4.4 Policy instrument: Fiscal policy

Fiscal policies are applied in the form of:

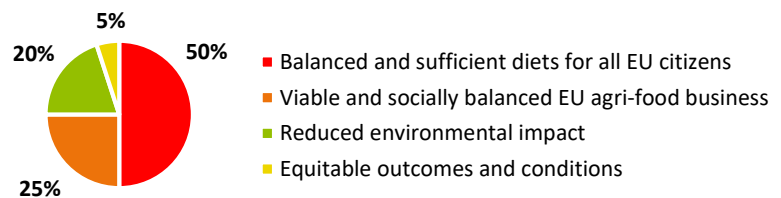
- **disincentives**, namely **excise or sales taxes on unhealthy items** such as “cheap” energy-dense and nutrient-poor food ingredients, or the removal of tax benefits for industries selling unhealthy products;
- **incentives**, namely **subsidies for producing healthy items** such as fruit and vegetables, which however have a lower diffusion rate compared to disincentives, as they do not generate budget revenues but, rather, are very expensive and place a consistent burden on public budget.

Well-designed fiscal policies on food, either taxes or subsidies, have the power to change not only **prices** but also consumers’ **purchasing and consuming choices** regarding those food products or ingredients targeted by such policies. In fact, this market-based approach is a mechanism to make consumers pay the **true social and environmental cost of food**. In the case of disincentives, consumers lose welfare as they pay higher prices and consume less of the taxed foods and producers lose revenue, but in the long run these losses are balanced by gains in both tax revenue and public health.

They require strong efforts from more than one sector: while the **health sector** would be concerned about policies’ effectiveness in improving health through changes in diets, the **finance sector** would focus on which are the most suitable measures and on how to administer them and assess their impact on the economy as a whole.

Proportion of mapped policies using fiscal policies by GOAL

Half of the mapped policies aim to **cut the consumption of food and drink products with high saturated fat and sugar content**, thus reducing **non-communicable disease rates** among the EU population.

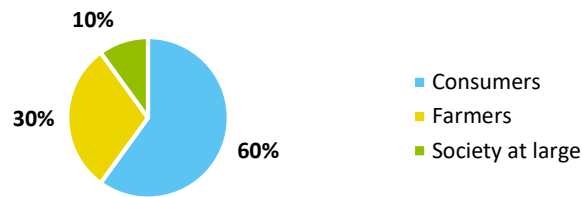


*Are **emission-based tax schemes** on food a viable tool to reduce the agri-food sector’s greenhouse gas emissions (20%)? Would they to stimulate a **shift in primary production practices** and curb the current **over-consumption of food with high environmental footprint**?*

From our mapping, it appears that fiscal policies have very specific focuses, either on health or the environment. *To achieve both environmental and health benefits, could it be feasible to **integrate environmental and nutritional food taxes** in a more holistic approach? Is there consistency across the two objectives? Or they would risk losing specificity and, therefore, effectiveness?*

The potential impact of fiscal policies on **equity** is a major concern: if inappropriately applied, they risk affecting disproportionately the lower-income segments of the population, who already spend a great proportion of their incomes on food (usually cheaper and of poorer nutritional value). However, being more responsive to fiscal incentives and food prices than wealthier consumers, they adapt their purchasing patterns more rapidly and gain most in terms of health benefits.

Proportion of mapped policies using fiscal policies by ULTIMATE BENEFICIARY

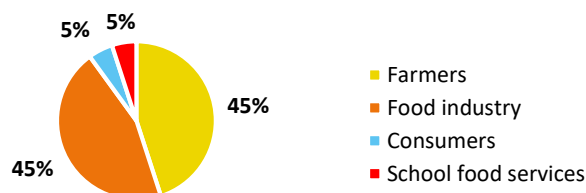


As mentioned above, **consumers** are those at which most fiscal policies are addressed (60%), with the hope of redirecting their consumption behaviour towards healthier choices through market measures. **Farmers** benefit from fiscal policies through various programmes subsidising farming in rural areas (30%), including funds to restructure or convert their production and enhance organic farming practices. Lastly, initiatives like return systems to allow consumers' delivery of empty packaging to be recycled and compensation mechanisms for the renewable energy generated by farms and food industries have the view of benefitting the **society** (10%).

Food industries are seldom targeted by fiscal subsidies, while being concerned from financial disincentives and fear detrimental economic effects on their food production. However, levying taxes on products for which there are close and untaxed substitutes may create an opportunity for the food industry to encourage customers to **switch to the healthier substitutes** through information measures (e.g., advertising on media) or discounts.

Are fiscal measures accompanied by adequate information policies?

Proportion of mapped policies using fiscal policies by PRIMARY TARGET



To evaluate the effectiveness of fiscal policies on food, it is essential to understand to what extent consumers change their food consumption patterns as a response to changes in prices.

*To what extent is the **research sector** effective in delivering observational studies to explore the actual **substitution processes in consumer choices**, with a particular focus on lower-income regions/groups where the population could be more affected by food price fluctuations?*

Should more tax incentives promote the research, development and marketing of healthier foods in the food industry?