



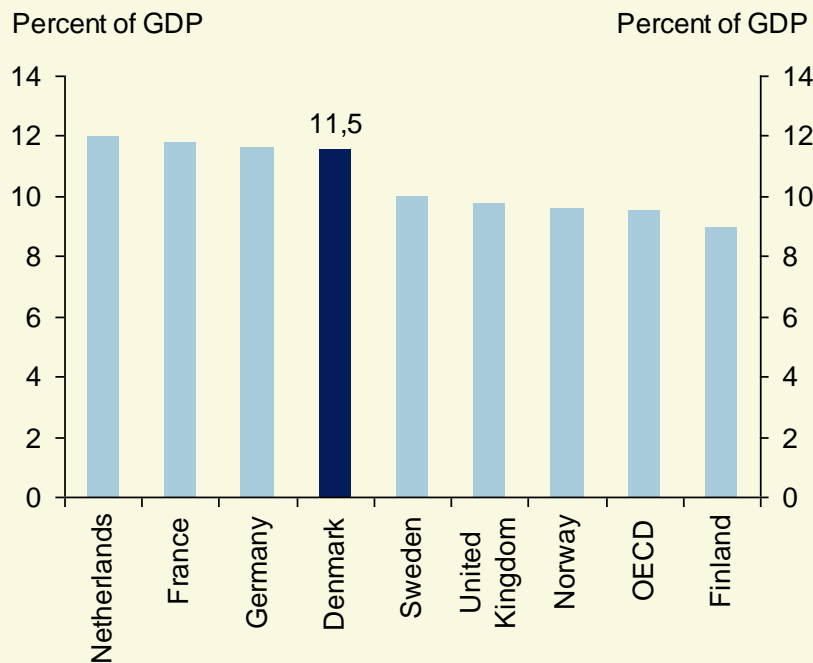
Special Tax Instruments

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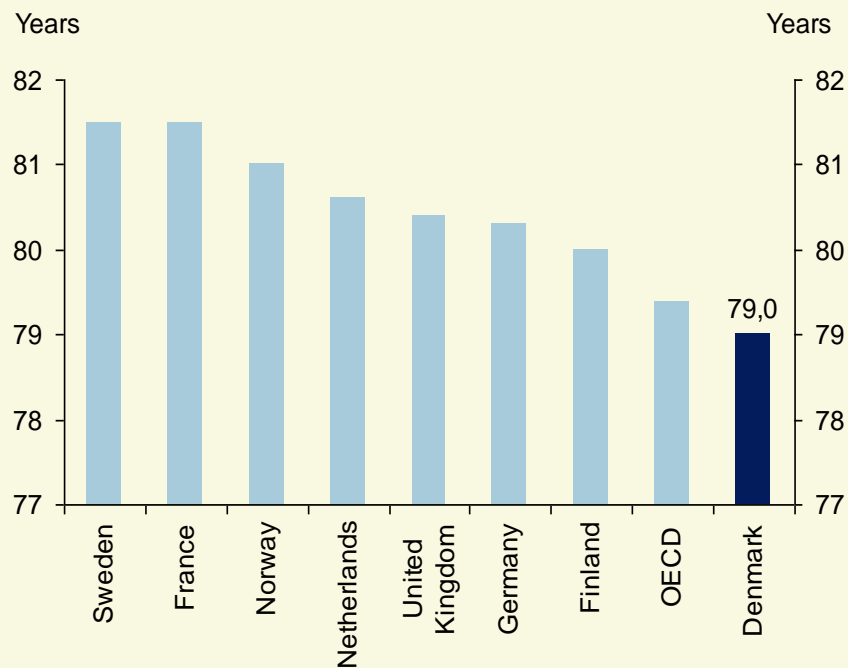
OECD, Network on Health Expenditure, 21-22 November 2011

Expenditure and life expectancy

Health care spending as a share of GDP



Life expectancy at birth



Source: OECD Health Data 2011

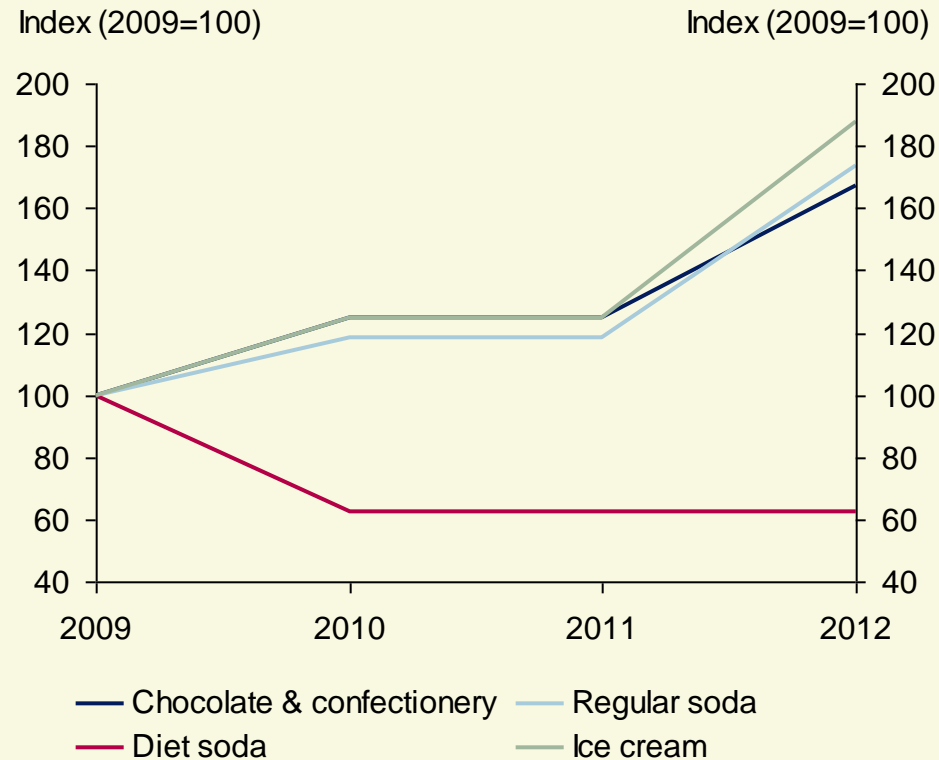
Sin taxes are widespread in Denmark

- Sin taxes – a hot political subject and instrument
- Two purposes: financing and prevention
- The first country to institute a ban on trans fats (more than 2 percent of total fat, 2004)
- In recent years increased taxes on soft drinks, tobacco, alcohol products, ice cream, chocolate and sweets
- Introduction of a fat tax as the first country in the world (October 2011)
- Higher sin taxes - a major theme in the new government work program
- Revenue in Budget 2012: USD 240 million in 2012 and USD 450 million in 2013

Effects of increased sin taxes

- A higher tax revenue (a higher revenue per unit sold)
- Changes in behaviour (people substitute away from the higher priced goods)
- Prevention and future “savings” in health expenditure
- Changes in cross-border trade (the relative prices between countries have changed):
 - More Danes will buy goods abroad
 - Fewer foreigners will buy goods in Denmark
- The effects on cross-border trade may be substantial in Denmark (small open economy)
- Ministry of Taxation - lower elasticity than other countries

Recent changes in Danish sin taxes



Tax rates in 2012:

Chocolate & confectionery: USD 4.36 per kilogram

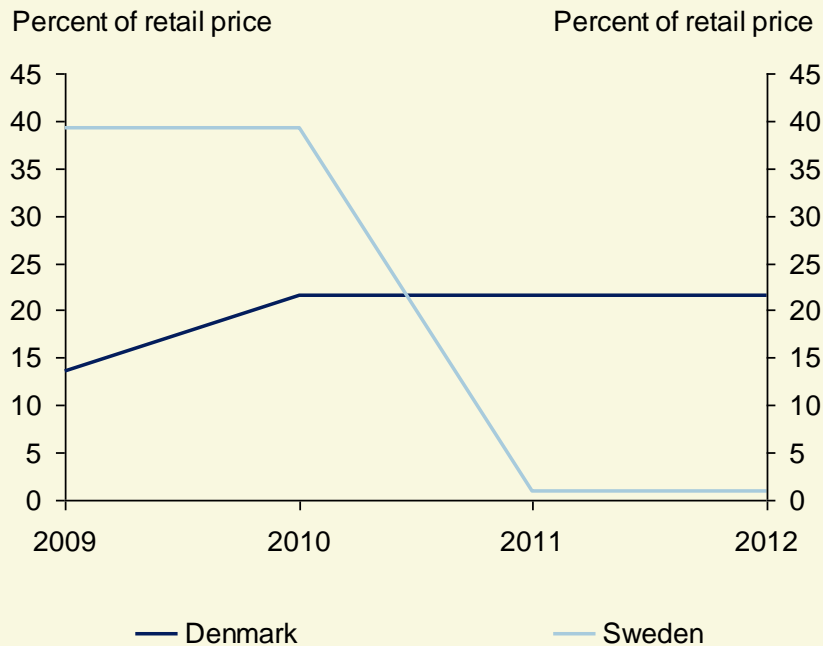
Regular soda: USD 0.29 per liter

Ice cream: USD 1.17 per liter

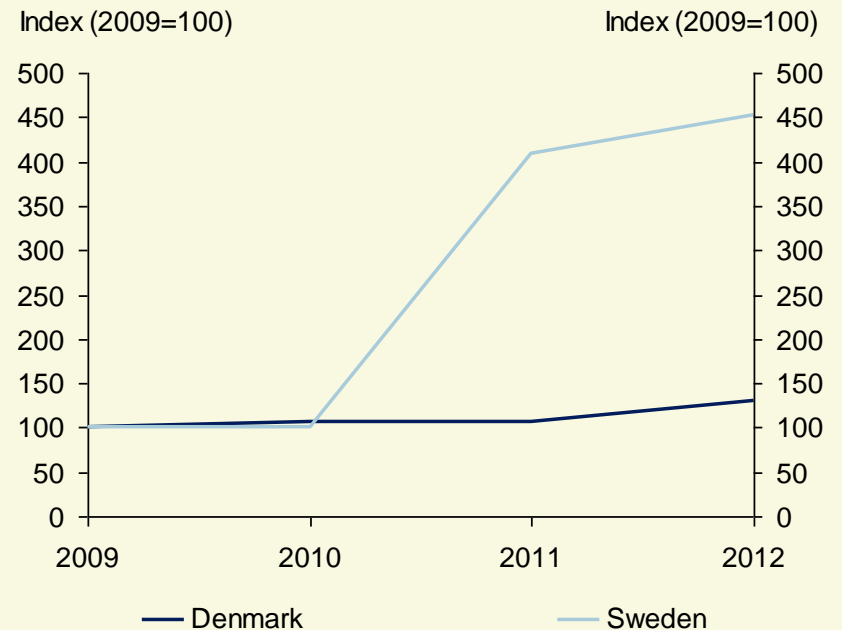
Diet soda: USD 0.10 per liter

Tobacco taxes in Denmark & Sweden – difference in structures

Tax as a share of the retail price



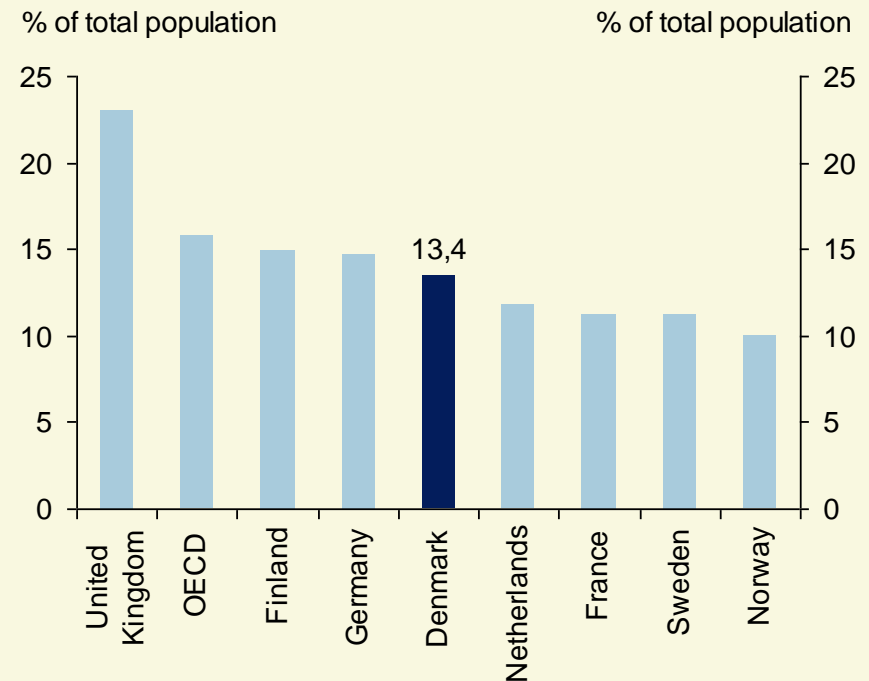
Tax per cigarette



Facts about the Danish fat tax

- The first tax of its kind
- Prime aim is to increase the average life span
- Products with more than 2.3% saturated fat will be taxed DKK 16 per kilogram (USD 2.93) of saturated fat
- The tax was approved by nearly 90% of the Danish parliament

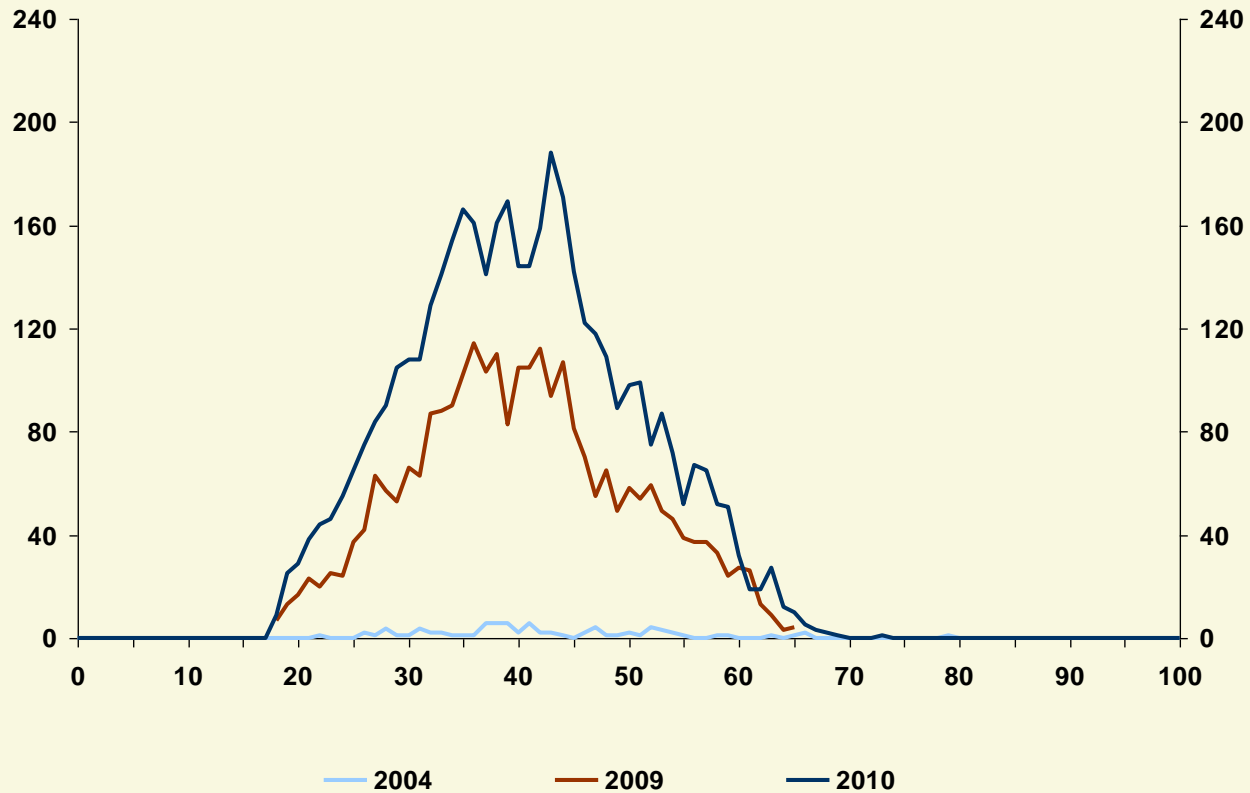
Obese population



Costs related to obesity has increased

No. of operations

No. of operations



Pros and cons of a fat tax

Pros:

- Direct revenue
- Encourages individuals to reduce fat consumption
- Healthier life style – reduction in heart disease, diabetes and strokes
- Indirect revenue: reduction in future health care costs

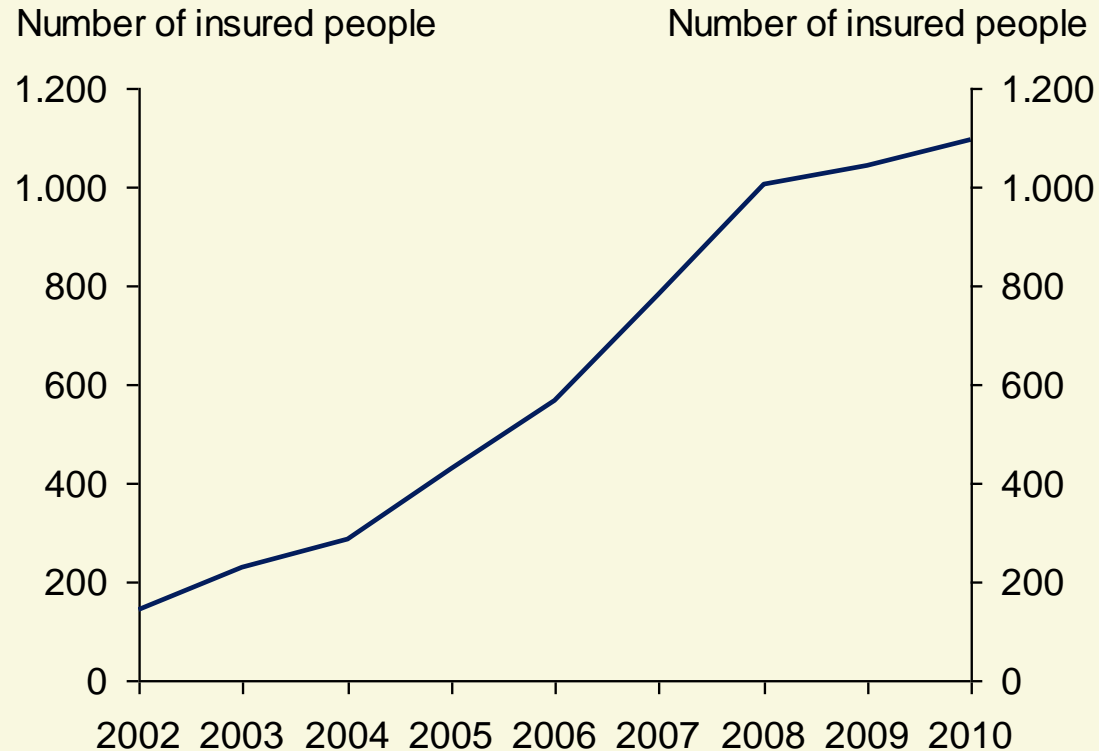
Cons:

- Price distortions: A price check of eight supermarkets shows that prices on many fatty foods were raised significantly (i.e. more than warranted by the tax's introduction)
- High administration costs
- Competition issues (EU Commission)
- Wealth gap/inequality: if poor people eat fattier food than rich people
- Cross-border trade increases
- Trade-off between revenue size and effects on health (depending on the price elasticity of demand)

Tax exemptions on health insurances

- Tax exemption in relation to employer-paid health insurances introduced 2002
- Tax conditions: all employees have to be covered by the company's health insurance (from receptionist to director/president)
- Health insurances mostly cover operations on the skeletal (i.e. knee, shoulder) and costs to “softer” treatment as physiotherapy, chiropractor, psychologist etc.
- A supplement to the public health system
- Arguments when implemented: reducing the sickness period for employees, reducing waiting lists at public hospitals etc.

Growth in health insurances



- Share of employer-paid health insurance schemes: approximately 90 percent
- The tax value: DKK 650 mio. (USD 120 mio.)
- Total growth rate from 2002 to 2010: approximately 680 percent
- Annual compound growth rate: 30 pct. p.a.

Health insurances – a hot political topic

- Massive critique of the tax exemption, e.g. from the Danish Economic Council
- Tax related arguments: in-transparent, unfair, state subsidy...
- Other arguments:
 - inequality: not in line with the core fundament of the Danish health system, e.g. the free and equal access
 - some patients should not be able to skip the waiting line due to insurances financed by other tax payers
 - risk for overtreatment, excess demand, moral hazard etc.
 - a step towards an insurance based health system (and private health sector) and all its "failures": expensive regarding administration etc.
- The new government removes the tax exemption on health insurances immediately

Topics for discussion

- Is sin taxes an obvious solution when mobilising revenue?
- How far “on this path” can you go?
- Too much regulation in respect to the individual?
- Are people really changing behaviour?
- Will the effect on life span show or too optimistic?

Thank you for your attention!