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## The 'fat tax': economic incentives to reduce obesity

Leicester, A.; Windmeijer, F.; (2004) The 'fat tax': economic incentives to reduce obesity. (IFS Briefing Notes BN49 ). Institute for Fiscal Studies: London, UK.



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### Abstract

This Briefing Note looks at the potential for the introduction of a "fat tax" into the UK in an effort to reduce the growing prevalence of obesity in Britain. There are different forms such a tax could take. One possibility is to tax the nutrient contents of foods such that those containing more fat or salt, for example, are taxed more heavily. Alternatively, particular types of foods, such as snacks or soft drinks, could be subject to a tax, or VAT could be extended to foods that are currently zero-rated but have a high fat content. Revenue from a "fat tax" could be used in various ways, such as financing subsidies for healthy foods or exercise equipment, funding advertising campaigns for healthy eating or in schools. Alternatively, it could form part of general government receipts. This Briefing Note will look at trends in UK obesity (Section 2) and examine evidence on eating habits and exercise in order to see whether trends here can account for what we see happening to obesity (Section 3). We will then go on, in Section 4, to review some of the key economic reasons behind why we might be concerned about obesity and why we might consider there to be a case for government intervention. Moving on, we discuss how food is currently taxed (Section 5) and the various ways in which a "fat tax" might be introduced (Section 6), looking at particular issues the government might need to address should it wish to introduce one. We will finish in Section 7 by presenting some simple analysis of a hypothetical "fat tax" in terms of how it might impact differently on the rich and the poor. Section 8 concludes.

Type: Report

Title: The 'fat tax': economic incentives to reduce obesity

Open access status: An open access version is available from UCL Discovery

Publisher version: <http://www.ifs.org.uk/publications/1797>

Language: English

UCL classification: [UCL](#) > [Provost and Vice Provost Offices](#) > [UCL SLASH](#) > [Faculty of S&HS](#) > [Dept of Economics](#)

URI: <https://discovery.ucl.ac.uk/id/eprint/14931>

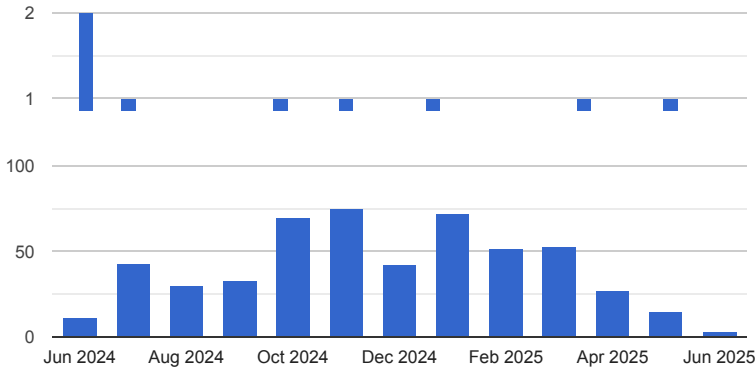
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