Experiences in Earmarking Health Taxes

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*Disclaimer:* Views expressed in this presentation are mine alone and do not necessarily represent the views, decisions or policies of the WHO.
Key Messages

• One size doesn’t fit all. Each country should assess whether earmarking Health Taxes works for them based on their specific context.

• Its not as simple as black and white. Evaluations of earmarking need to carefully consider an earmark’s source and purpose against the backdrop of local conditions and needs, as well as consider issues of additionality and fungibility of funds.

• Be strategic on how earmarking is deployed and used. Earmarking can be a powerful tool to unlock political stalemates that can otherwise stifle reforms and also make funding for health available that would have otherwise remained out of reach.

• Finding a balance between flexibility in the budget and reliability of an earmark commitment (soft earmarking). Health taxes work best if implemented as part of comprehensive package.
Three Case Studies in Earmarking
The Philippines: A Soft Earmark
Evolution of Earmarks for
Universal Health Care (UHC) in the Philippines

RA 10351 - Sin Tax Law (2012)
• Taxes on Tobacco and Alcohol Products

RA 10963 - TRAIN 2 (2018)
• Taxes on Sugar Sweetened Beverages (2018)

RA 11223 UHC Law (2019)
• 50% from PAGCOR
• 40% from PCSO

RA 11346 (2019)
• Increased taxes on cigarettes
• Taxes on ENDS and HTPs*

RA 11467 (2020)
• Increased taxes on alcohol
• Fixed taxes on ENDS and HTPs*

= Funding for Universal Health Care (UHC)

*Electronic Nicotine Delivery Systems (ENDS), popularly known as E-Cigarettes; Heated Tobacco Products (HTPs)
The 2012 Sin Tax Reform: Tier Simplification, Significant Rate Increases & Large Revenue Gains

2019 revenue includes revenues from new SSB & taxes, accounting for the substantial increase in revenues from 2018 to 2019

Source: Philippines Department of Finance; Philippines Bureau of Internal Revenue
Tobacco tax: 15% for alternative livelihoods

85% of tobacco tax revenue earmarked for health programmes

100% of alcohol tax revenue earmarked for health programmes

As a percentage of the total health programmes earmark

80% UHC

15% Misc. Health

As a percentage of incremental tax revenue

Source: Philippines Department of Finance
The “Soft” Earmark for UHC: How it Works

Department of Finance

Health Tax Revenues Earmarked for UHC

50% share from income of Philippine Amusement and Gaming Corporation

40% of Charity Fund of Philippine Charity Sweepstakes Office

Department of Budget & Management

Revenues go to the General Fund undergo usual budgetary process. DoH is assured funding but its expenditure programme must be approved.

Expenditure reports
Submit medium-term expenditure program

Department of Health

Expanded coverage
New services
Strengthened health systems

Source: Philippines Department of Health
The Reform’s Impact: Significant Revenues for Health

2012 Sin Tax Law Passed

The 2018 health budget (including insurance for the poor) is almost three times its 2013 level

Source: Philippines Department of Finance; Philippines Bureau of Internal Revenue
... And a Win for Equity! Expansion of Funding towards Health Insurance Premiums for the Poor

Health coverage expanded for over 15.2 million families

Source: Philippines Department of Health; WHO (2016) *Earmarked tobacco taxes: lessons learnt from nine countries*
Thailand: A Hard Earmark
Funding ThaiHealth Since 2001: An Earmarked Alcohol & Tobacco Surcharge

A 2% Surcharge On All Sales
Revenue Directly Remitted and Extrabudgetary (A “Hard” Earmark)

Alcohol & Tobacco Products

The ThaiHealth Promotion Foundation

How the Earmark Works

ThaiHealth is an autonomous organisation

Governing Board:
Led by PM, Minister for Public Health & an independent expert

The Board sets ThaiHealth’s policies, strategies and budget

Funds directly expended on projects to improve health—mostly in collaboration with NGOs

Over 1/3 of funds are dedicated to prevention of the three primary risk factors: tobacco use, unsafe alcohol use and unsafe driving

Projects funded include research, community programmes, advocacy and mass media campaigns

Budget of US$120 million/year but represents only 0.9% of govt. exp on health

India: A Hard Earmark for an Emergency Relief Fund
The National Calamity Contingent Duty on Tobacco, Fuel and Motor & Vehicles

Various ad valorem & specific excise rates
Duty Directly Remitted (A “Hard” Earmark)

Tobacco, fuel, motor vehicles

The National Disaster Response Fund (NDRF)

Source: National Disaster Management Authority (2020); Disaster Management Act, 2005
How the Earmark Works: COVID-19 Case Study

In March 2020, the central government declared COVID-19 a disaster and made up 35% of releases from the 2019-2020 fiscal year available for the purchase of medical supplies needed to contain COVID-19.

The NDRF is administered by the National Disaster Management Authority which is chaired by the PM.

Source: National Disaster Management Authority (2020); Disaster Management Act, 2005; Goodchild, et al, Revising the tax treatment of bidis in India.
Strategic Questions

• Has the earmark enabled increases in Health Taxes?
  • In the Philippines, framing as a health measure with revenues earmarked for health, made possible significant increases in taxes than would otherwise not be possible if framed as a revenue measure.
  • In Thailand and India, the earmark was added to existing Health Taxes and was not a nexus for significant increases in Health Taxes; however ThaiHealth would likely not have been established without the earmark.

• Would the increases in health expenditures have happened without the earmarks?
  • Depends on extent to which spending from non-earmarked sources changes in response to the earmark (potential for offsetting) and the overall change in the level of public spending
  • In the countries shown, earmarked funds are relatively small in comparison to government expenditure on health (e.g. 0.9% in Thailand) and even smaller in terms of GDP
  • Close collaboration between Health and Finance officials is key.
Thank you!

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