

IS INDIA NEEDED SIN TAX AND FAT TAX?

DR. BHUPENDRA GAUTAM

(Assistant Professor, Amity University)

Email Id: bgautam@amity.edu, bhupendrakgautam@gmail.com

ABSTRACT

India has move ahead by achieving the overall development of the country like infrastructure ,economic development , education ,foreign trade and Good International Image Build up but for maintaining this growth, India require more revenue, and the other side of coin is that there are certain issues which are creating huddles in achieving such growth like obesity, heart diseases, Diabetes, Bp , gambling ,Smoking etc .To overcome these problems India will have to setup a mechanism by which India will be able to handle all these health issues and can generate extra revenue which can be used for the overall development of the country such mechanism can be named as Sin Tax.

With the objective of reducing the habit of consuming harmful product and increasing the revenue generation source, Government imposed extra tax burden on product that are harmful to the society like cigarettes, tobacco, drugs , soft drinks, candies, fast food ,etc which is known as Sin tax.

Descriptive Research has been used for doing the study on sin tax and data is collected through secondary sources like journal, reports etc.

This study attempts to find out the pros and cons of imposing Sin Tax .It will be beneficial for the society or it will create burden on poor and lower income level people.

Keywords: *Sin Tax, Fat Tax, Sugar Tax, Tax on Tobacco and Cigarettes.*

1. INTRODUCTION

India is a country which is having a plenty of resources at its hands and its optimum utilisation can make India one of the most developed country of the world. Out of these resources one of

the most important resource is manpower, India is having enough working manpower i.e. youth of our country.

But India is not able to utilise its manpower fully because the youths and children's are not in a position to give their best, it could be due to the addiction of the drinking alcoholic product and smoking or due to the health issues like obesity, heart diseases, Diabetes, BP.

Alcoholic Addiction is increasing due to the unawareness of youth about the harmful effect of alcohol products. Moderate price the product, easily accessible market, craze of adoption of the western culture by society, liberal policies of the States has also become a reason for promoting the habit of Alcoholic Addiction, Gambling and Crimes among youth.

Lifestyle disease like obesity, heart diseases, cancer, overweight, Diabetes in young children's, BP, Mental health, self confidence, depression in Teenagers etc are due to having junk food.

Now the time has arrived when India has to develop a mechanism by which it can reduce and control such health issues and alcoholic addictions.

Objectives of the study

1. To find out of the consumption level of Alcoholic products in India.
2. To find out whether Sin Tax Should be imposed or not.
3. To identify the advantages and disadvantages of imposing Sin Tax

Research Methodology:

Due to the limitation of time and resources the study on the topic of Sin Tax is done on the basis of secondary type data collected through various sources like Article, journals, Research papers and survey reports of the government etc and Descriptive research methodology is used to conduct this study.

Sin Tax: A tax imposed with a objective of reducing the habit of consuming harmful product and increasing the revenue generation source. Government imposed extra tax burden on product that are harmful to the society like cigarettes, tobacco, drugs , soft drinks, candies, fast food ,etc.

Thus, if a person wants to use any unhealthy product or promote such activity in the society then he has to pay the sin tax to the government for his sinful doing.

The products which can be covered by sin tax net is Alcohol, Tobacco, drugs, soft drinks, fast foods, coffee, gambling, cigarettes etc.

National perspective on alcohol and tobacco

Due to the lack of awareness and as a status symbol we have started using more alcoholic products and on the other hand for following western culture and lack of time we have moved towards the eating habit of junk food.

Various Reports and data collected by Government shows that the consumption of the Alcoholic products have tremendously increased during last few years which is not a good sign from the growth point of view of the country.

Alcohol

As per OECD (Organisation for economic cooperation and Development) report on alcoholism on May 2015 per capita consumption of alcohol is increased by 55 percent between 1992 to 2012 in India which is the third highest increase of the consumption of alcohol in the world, whereas in the some other countries member of the OECD, consumption of alcohol has fallen by 2.5 percent for the same period

As per WHO report, In India 30 percent of the population consumes alcohol on regular basis and an individual consume 4.3 litres alcohol in a year. Alcohol consumption is considered as the fifth leading cause of death and disability of the people of India. In 2012, 3.3 Million deaths are caused due to alcohol consumption which represents 5.9 per cent of the global Deaths. Alcohol consumption is not only a health hazard but also a major cause responsible for poverty in India.¹

Although some of the states of the country tries to reduce consumption of alcohol in the society where the Gujarat is the first state which ban the Alcohol. After that in 2014, Kerala also banned the Alcohol. Manipur, Nagaland, Lakshadweep are also following this policy. In 2016 Bihar government also took a

1. <http://www.mapsofindia.com/my-india/india/alcohol-consumption-in-india>.

decision of banning Alcohol in the state for ushering a positive Social change.

Not only this all the state of the country follow the Dry Days on which sale of alcohol is ban and bars are also not permitted to serve alcohol on these dry days i.e. 26th January (Republic day), 15th August (Independence Day), 2nd October (Gandhi Jayanti). To promote this first and last day of every month is celebrated as a dry day in some of the state like Assam.²

Tobacco

India has a second place in tobacco consumption and third place in production of tobacco in the world. In India two types of tobacco are available smoking and smokeless for example-Bidi, gutkha, misri, mawa, paan masala, hookah, cigarettes, cigars, chillum, gul etc.

As per the GATS (Global Adult Tobacco Survey) 2009-2010 report, more than one-third i.e. 35 percent of total adult population consume tobacco in which 48 per cent are male and 20 percent are females from which 25 percent population is from urban areas and 38 percent from rural areas.³

In the tobacco consumption Mizoram is the highest consuming state where the 67 percent of the total population are consuming tobacco and Goa is the lowest consuming State where the 9 percent of the population consume tobacco in smoking and smokeless form.

As per a Public Health Foundation Report of India 2011, Tobacco is highly consumed in India and to deal with tobacco related diseases for age-group 35-69 years it cost the economy 1 trillion dollar.⁴

Tobacco consumption is also a leading death and disability cause in India; near about 8- 9 lakh people die every year in India due to the consumption of Tobacco.

2. The Printers et al., First and last day of month “dry day” in Assam (Deccan Herald Jan. 28, 2015), <http://www.deccanherald.com/content/456246/first-last-day-month-dry.html>.

3. iipsindia, International institute for population sciences (2010), <http://www.iipsindia.org>

4. Bennett, Hike sin tax on tobacco by up to 40%: Health ministry (The Times of India Feb. 18, 2016), <http://timesofindia.indiatimes.com/india/Hike-sin-tax-on-tobacco-by-up-to-40-Health-ministry/articleshow/51033193.cms>.

Due to this an NGO of Assam (Voluntary Health Association of Assam) demanded 40 percent Sin tax on all tobacco products.⁵

Food Items

Not only the Alcohol and tobacco products are leading cause for death and disability but junk food or non essential energy dense food are also a big cause for many health issues and Lifestyle diseases like obesity, heart diseases, cancer, overweight, Diabetes in young children's, BP, Mental health, self confidence, depression in Teenagers, digestion etc.

In November 2015 FSSAI (Food Safety and standards Authority of India), take 74,010 samples of food from across the India out of which 14,599 were contravening laws and safety measures .

A sample test conducted in UP by FSSAI of 9600 food item out of which 43 per cent of the sample tested items did not meet the food safety regulations .

According to the test conducted by FSSAI, in 2015 around 20 percent of food samples tested by public laboratories were either adulterated or misbranded and did not meet safety standards.⁶

As per Techno pack, In 2013 junk food industry was 250 crore dollar and it will expand to 800 crore dollar by 2020. As junk food industry is growing day by day and leading to various lifestyle disease like obesity, heart diseases, cancer, overweight, Diabetes in young children's, BP, Mental health, self confidence, depression in Teenagers, digestion etc it becomes necessary to take major steps in this regard .

Kerala became a first state of India for imposing fat tax in July 2016, Kerala Government impose fat tax at the rate of 14.5% on fast food items like burgers, pizzas, pasta and sandwich and 5% on ready to chapatti as announced by state Finance Minister Thomas Isaac, Kerala government expect to generate 10 crore rupees revenue every year.⁷

5. The Indian express (The Indian Express Nov. 3, 2016), <http://indianexpress.com/article/india/india-news-india/sin-tax-on-tobacco-below-40-per-cent-to-have-negative-impact-3732253/>.

6. RJ Whitehead and FoodNavigator-A, Consultant (Nilabh Singh Dec. 9, 2015), <http://www.foodnavigator-asia.com/Policy/Sin-tax-of-40-proposed-to-cover-Indian-soft-drinks>.

7. Ratna Bhushan and Rasul Bailay, Article: In a first, Kerala imposes 14.5% "fat tax" on junk food - the economic times (The Economic Times 2017), <http://economictimes>.

A study conducted in 2014 in Stanford University recommended 20 percent sugar tax on sweetened beverages for averting obesity and type-2 diabetes in high income and middle income countries.⁸

The consumption rate of tobacco, alcohol, junk food and reports show that India needs extra tax on alcohol, tobacco and non essential energy dense food products.

In India the extra tax burden is always put on such alcoholic and harmful products, we are just corner to GST implication and rates proposed under GST are also giving extra burden to such harmful products i.e. 28 % plus Cess.

International Arena

Increase in the Consumption of alcoholic product and junk food is not only the problem of India but also a worldwide problem .As per the various reports, consumption of such products is increasing at a fast rate in every country. Today's generation finds Alcoholic products as a status symbol and young children's prefer to eat junk food instead of healthy food items because of which its sale is increasing day by day.

In some foreign countries there are certain products which have become necessary products for the citizens of that country and cannot be eliminated such as soda and junk food.

As per WHO report, 38.3 percent of the total population of the world consume alcohol on regular basis and an individual consume 6.2 litre alcohols per year.

The North American country , have a highest consumption of non-essential energy dense food due to which it has become one of the most obese population country in the world and has imposed sin tax of 8 percent on non- essential energy dense food which reduce the consumption of these products within a year by 25grams (5.1 %) per capita per month.⁹

indiatimes.com/news/politics-and-nation/in-a-first-kerala-imposes-14-5-fat-tax-on-junk-food/articleshow/53113799.cms

8. Sanjay Basu et al., Averting Obesity and Type 2 Diabetes in India through Sugar-Sweetened Beverage Taxation: An Economic-Epidemiologic Modeling Study, 11 PLOS MEDICINE e1001582 (Tony Blakely ed., Public Library of Science (PLoS) 2014).
9. R. Prasad, "Sin tax" reduces intake of energy-dense food in Mexico, HEALTH (The Hindu Jul. 5, 2016), <http://www.thehindu.com/sci-tech/health/sin-tax-reduces-intake-of-energydense-food-in-mexico/article8812187.ece>.

Fat tax on junk food was proposed for the first time in 1643 in Britain for solving obesity problem. Britain government also proposed for imposing sugar tax.

Fat tax on junk food has been successfully imposed in European countries such as Denmark and Hungary but later on in November 2012 Denmark government abolish such tax.

U.K, Sweden and Canada imposed sin tax on series of products and services liketobacco and alcohol, lotteries, gambling, cigarettes.¹⁰

Mexico imposed sin tax in 2013on soda. U.K is now also debating for Sugar Tax for reducing obesity problem.

In US Sin tax is imposed on cigarettes and alcohol and in 2014 Us government generated revenue of 1600 crore dollar by sin tax on cigarette and 610 crore dollar from alcohol.In US sin tax is also imposed on casino and video game.

2. ADVANTAGE OF SIN TAX

1. **Reduce consumption of harmful product:** The use of alcohol, tobacco or junk food is leading to various health problems in persons like cancer, obesity, overweight, Diabetes .The sole objective of applying Sin tax is to reduce consumption of such products as tax on such products will hike the cost of the products and thereby discourage consumers to spend on harmful products. Therefore sin tax helps in promoting healthy society and healthy habits among people of the country.
2. **Increase the revenue of the government:** The amount of tax imposed on such products will go in the hand of government. It will increase the amount of revenue of the governmentwhich it can use for the welfare of the society and citizens of India.
3. **Reduce Medical Expenses of the Society:** When an individual consumes such harmful products it affect their physical health and got caught by various harmful diseases. For the treatment of these diseases they have to spend large amount of their savings and the main source of the earning of the family also stops and lead to difficulty in

10. ZeeBusiness, YouTube: Discussion on Legitimacy of Imposing Fat Tax in Kerala | Part-I (YouTube Jul. 9, 2016), available at <https://youtu.be/kOIVVAuPJ70>.

surviving without money. Tax on such products will lower the consumption of such goods and thereby they will not get caught by diseases by which the medical expenses of the society will get reduce

4. **Reduce Financial Burden on the government:** The government allocate a huge amount of fund from its the annual budget for the medical facilities by which government provide various medical facilities to the individual for the treatment of diseases which are caused due to the consumption of harmful products like mouth ulcer , cancer, diabetes etc.
5. **Easily Acceptable by the society:** Generally, decision of implementation of such type of tax of the Government gets support from the society because all the citizens of the society are not indulge in the consumption of such products and the major part of the society also wants that the consumption of such products should be reduced .The consumption of such harmful products badly effects the overall society so major part of society will easily accept the such type of taxes.
6. **Can Reduce the tax Burden on healthy Product:** Government can collect enough amount of revenue by taxing the harmful products so it can reduce the tax burden on useful goods and can give the relaxation to the society. This will promote the habit of consumption of healthy products among persons and will reduce the consumption of unhealthy products.
7. **Reduce Domestic violence and other crimes:** After having alcoholic and tobacco products, persons losses control on their mind which lead to domestic violence cases and crime like Rape, violence, teasing, driving while intoxicated etc. Sin tax will increase the price of these products which will make these products out of reach of the persons and thereby reduce domestic violence cases and other crime rate.
8. **Reduce poverty:** As the lower level persons are habitual of Alcoholic products and they spend their money and saving on consumption of such products because of which their level of living remains low and increase the rate of poverty in India. Sin tax will help in reducing spending on such products by lower level persons and thereby poverty rate will also decline or reduce.

3. CRITISISM OF SIN TAX

1. **Consumption of hazardous substitute will increase:** Instead of stopping the consumption consumers will start using cheaper hazardous products or substitute of the products which are available in unauthorised market to avoid sin tax. These products are more harmful and will affect their health more badly/seriously.
2. **Failed to change the habit of uneducated peoples:** Sin tax and fat tax is not able to change the behaviour of the Uneducated, moderate and low income people and they continue the use of such products despite of high cost because of not having knowledge about the motive of imposing tax on these products and what harm these products will have on their health.
3. **Negative effect on Industries dealing in these products:** Sin tax and fat tax raises the cost of the alcohol, tobacco and junk foods which increase the price of the products and decrease its sale which has direct effect on profit of the companies. These taxes will affect the image of the companies dealing in these products as these are said to be harmful for the health of the peoples.
4. **May reduce the revenue of the government:** Government is collecting a large amount of revenue from these harmful products though it is necessary to impose such taxes for the welfare of the society. But government has to take such tough decision and should bring a proper balance between harmful and necessary goods taxation.
5. **Smuggling of Alcoholic products will be increased:** When the price of alcohol and other harmful products will increase by sin tax. Peoples to avoid such sin tax will start smuggling these products in India from other states, city and countries where there cost will be low.
6. **Small vendors will be affected:** Sin tax will strongly affect the small businessmen, Retailers and wholesalers. As the price of the products will increase by such taxes they will find themselves with decreased sales and less profit as the consumers seeking to avoid tax will buy products from unauthorised market.

4. RECOMMENDATIONS

1. Sin tax should be levied on Alcoholic and tobacco for promoting healthy behaviour and generating revenue
2. Fat tax and sugar tax will also be a good decision for shifting consumers to healthy food items but the percentage rate of fat tax should not be higher.
3. If the sin tax is imposed on various harmful products like tobacco, Alcohol, junkfood the tax levied on the necessary goods like milk, medicines and other necessary goods should be decreased.
4. Proper precaution should be taken for discouraging smuggling and other illegal action which will increase due to imposing of higher tax on Alcoholic products.
5. Revenue Generated through Sin Tax should be used fortreating various diseasescaused due to consumption of these products.
6. More Informative and knowledge providing Advertisements regarding harmful effect of Alcoholic products on Physical health of the persons and reasons of imposing these tax should be communicated to the citizens of the country

5. CONCLUSION

After analysing all the facts, we have reached to the conclusion that the consumption of Alcoholic, tobacco and junk foods are tremendously increasing at a higher rate which will be very harmful for the well being of the society as well as for the health of the citizens of the India

So, it becomes necessary for the government to take remedial measures for discouraging unhealthy behaviour. Sin Tax can be used as a useful measure for discouraging use of such products. But sometimes it looks like that Sin Tax, Fat tax and sugar taxes are used as a weapon by the government for collecting extra revenueand it add the new products like soda, plastic bags whenever government finds low revenue for fulfilling various responsibilities towards society

The government objective before implementing the Sin tax and fat tax should be to discourage the use of harmful Products rather

than a way of collecting revenue from imposing Sin tax otherwise it will become a short-term remedy.

Sin Tax, Fat tax and Sugar tax has been used all over the world as a first remedial measure to overcome the problem of unhealthy lifestyle and health issues of the citizens of the country so India should also move ahead and take a strict decision of imposing Sin Tax, fat tax and Sugar tax on various products which can come under these categories for the well being and development of the society as well as of the country.