

Why is healthy food increasingly out of reach for the Brazilian population?

## PROPOSALS FOR A TAX POLICY TO FIGHT HUNGER, PROMOTE HEALTH, AND PROTECT THE ENVIRONMENT.

Brazil is living in a challenging and contradictory time. While we are considered the world's breadbasket, millions of Brazilians are going hungry or falling ill due to poor diet or lack of access to healthy food in our country. This reality mainly affects ethnic minorities, the black population, and low-income communities.

**A recent study revealed an alarming statistic: some 57 thousand premature deaths in Brazil in 2019 are attributable to the consumption of ultraprocessed products (UPPs), accounting for 10.5% of all premature deaths in Brazilian adults<sup>1</sup>. Studies like this show the urgency of placing this issue at the center of the public debate.**

### FOOD CONTEXT IN BRAZIL AND ITS IMPACT ON THE POPULATION'S HEALTH AND THE ENVIRONMENT

#### HEALTH

**33 million Brazilians are now going hungry**, and 125.2 million do not feel sure of their ability to eat adequately in the future<sup>2</sup>; **6 out of 10 adults and 1 out of 3 children are overweighted<sup>3</sup>.**

**2.21 million cases of overweight and of obesity in adults and more than 721 thousand cases in children and adolescents** are attributable to consumption of sugar sweetened beverages.

#### ENVIRONMENT

**In the last 30 years, changes to the Brazilian population's diet have left major environmental impacts** and are at the center of the climate crisis, increasing greenhouse gas emissions and intensive use of natural resources.

## HEALTHY VERSUS ULTRAPROCESSED FOODS

Why are we living this reality? Because Brazil's fiscal and economic policies have been designed to encourage the production of agricultural commodities and industrialized products rather than stimulating the production and consumption of healthy foods such as rice, beans, fruit, greens, and vegetables.

The price hikes on foods and beverages express this reality all too starkly. From 2006 to 2022, food prices increased 1.7 times more than overall inflation, and prices on healthy foods increased nearly 3 times more than those for UPFs.

The following factors explain the price increases:

- \_ Global economic and climate crises.
- \_ Exchange rate fluctuations.
- \_ Organization of the agrarian structure favoring land use for growing commodity crops such as soybeans and corn rather than rice, beans, fruits, greens, and vegetables.
- \_ Decrease in domestic grain reserves for price regulation.
- \_ Dismantlement of public policies for production and access to healthy foods.

Another factor is the huge tax inequality in food production, processing, and marketing, increasingly making UPFs cheaper and more accessible.

# HOW TAXATION FAVORS ULTRAPROCESSED FOODS



Many situations reveal the inequality in food taxation. Healthy foods and ingredients generally receive the same or worse treatment as UPFs, facing hurdles to enter Brazilians' basic food basket, in unfair competition with industrialized products containing poor nutritional quality.

In addition, the inputs used in conventional crop and livestock production also enjoy tax breaks and exemptions that are denied to agroecological production and family farming. While large agricultural corporations and UPF industries enjoy the lowest possible tax burdens, small farmers are unable to compensate for the accumulated taxes in the downstream production chain and end up having to cover the losses.

## EXAMPLES OF UNEQUAL TAXATION

**Chocolate-flavored milk and instant noodles pay zero federal taxes, while whole fruit juices (minimally processed) pay 9.25% (noncumulative) or 3.65% (cumulative).**

Although the IPI excise tax is based on the product's essentialness, **UPPs such as instant noodles, nuggets, and fruit nectars are exempt from it.**

**Sodas enjoy a very low excise tax** (currently about 2.6%), the same as bottled mineral water. If they contain any fruit, guarana, or açaí, they receive an additional tax break of 25% to 50%.

Since a large share of soda concentrate is produced in the Manaus Free Zone, **the sugar-sweetened beverages industry fails to pay BRL 3-4 billion (US\$ 600-800 million) in taxes every year.**

**In São Paulo state, hotdogs are part of the food basket and pay the same value-added tax (ICMS) as rice and beans (7%).** The same holds for instant noodles in the state of Bahia.

**The fiscal war between Brazilian states pushes the prices up on natural and minimally processed foods.** The state of Amazonas levies a 12% value-added tax on rice and beans grown in the state. If they are grown in other states, the VAT is increased to 18%.

**No tax policy exists to favor organic or agroecological foods.** Organic whole grape juice pays nearly four times more taxes than grape nectar, which is a UPF.

Although not levied with excise or value-added taxes, the production chains for **natural foods are burdened with embedded taxes that increase the final prices,** paid in the purchase of inputs, services, and labor.

**Exemptions on exports help expand the markets for the agricultural export system,** which is connected to the UPP industries.

Thanks to the so-called Simplified Tax System ("Simples Nacional"), **the classification of farmers as physical persons or Individual Micro-Entrepreneurs does not allow them to draw tax credits for inputs.**

# SOLUTIONS

We propose the following strategic paths for tax policies to find a balance based on the principles of fiscal justice, the fight against hunger, expanded access to healthy foods, health promotion, and environmental protection:

1

## CREATE TAX STÍMULUS FOR PRODUCING AND MARKETING HEALTHY FOODS

### ESTABLISH A BRAZILIAN FOOD BASKET THAT



Consists exclusively of natural, minimally processed, and specified processed foods.



Does not contain UPPs.

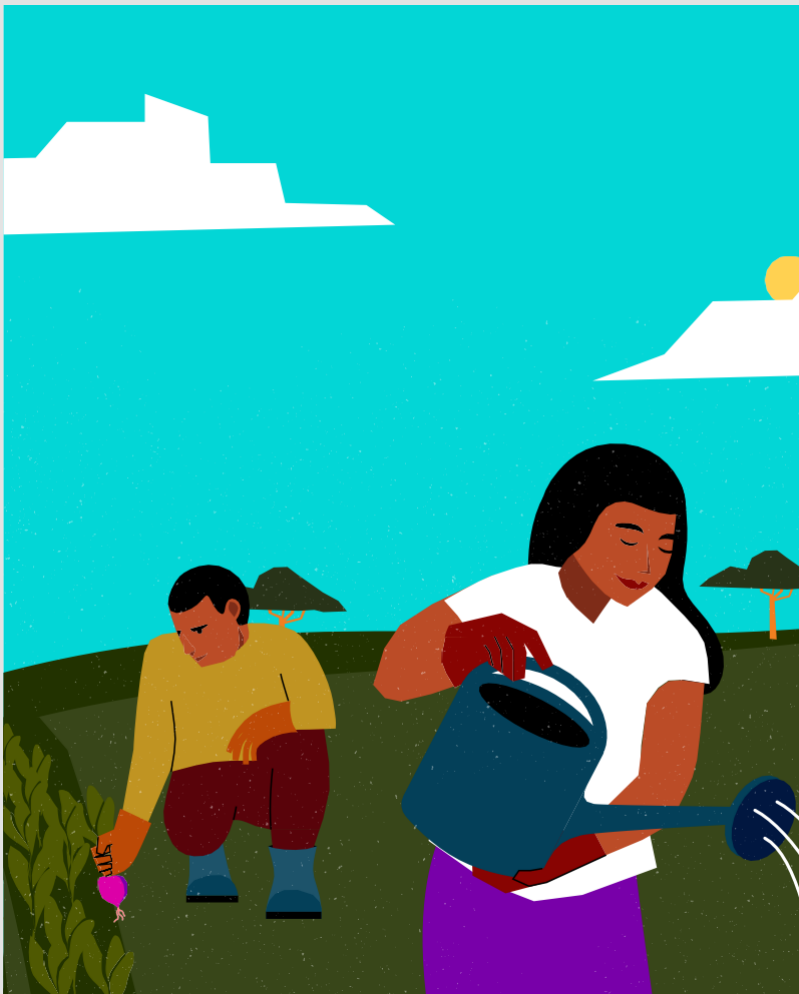


Has a zero rate for the PIS/Cofins federal taxes for its items.



VAT exemption for vegetables, fruit, eggs, products from socio-biodiversity, rice, beans, and other natural, minimally processed, and specified processed foods, with reduction to a maximum of 5%.

Is benefited by Presumed Credit for Organic and Family Farming foods (from cooperatives) included in the Basic Brazilian Food Basket (when taxed).



### ESTABLISH "HEALTHY FOOD PRODUCER" AS AN OFFICIAL CLASSIFICATION

Discounts or exemptions from contributions to FUNRURAL (Fund for Assistance to Rural Workers) and exemptions on all inputs used in the organic or agroecological production systems

### ESTABLISH "HEALTHY EATING COMPANY" AS AN OFFICIAL CLASSIFICATION.

Discount on gross revenue for classification and definition of tax rates in the Simplified National Tax System.

## 2

# IMPLEMENT FISCAL MEASURES TO DISINCENTIVIZE PRODUCTION AND CONSUMPTION OF UPPs:

Increase excise tax, PIS/Cofins, and VAT rates on UPFs.

Revoke subsidies on sodas and sugar-sweetened beverages, both on the production of concentrate and the excise tax on the final product.

Create a selective tax on sugar-sweetened beverages with a rate of at least 20%, as recommended by the World Health Organization (WHO).

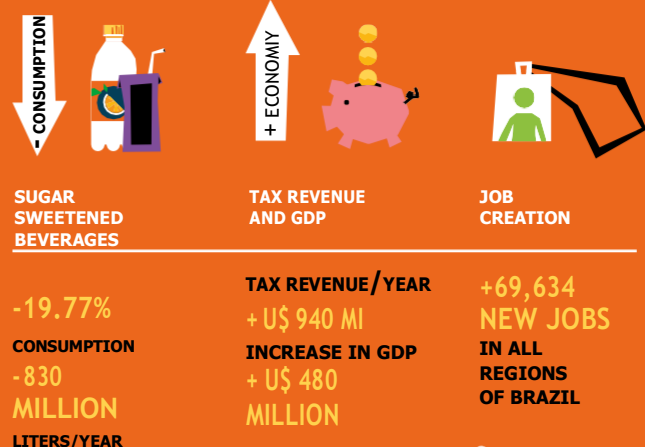
Currently, more than 60 territories throughout the world including Chile, Mexico, Portugal, England, and France have adopted some type of specific tax on sugar-sweetened beverages, not only to reduce consumption but to capture tax revenue for

financing social and public health programs and services<sup>5</sup>. Such strategies generate long-term benefits, including reductions in health costs, but mainly for the low-income population.

### WHAT IF BRAZIL LEVIED A SELECTIVE TAX ON SUGAR-SWEETENED BEVERAGES?

A study<sup>6</sup> by FIPE, the Foundation-Institute for Economic Research of the University of São Paulo, showed that a selective tax on sugar sweetened beverages would reduce consumption, increase tax revenue, and create jobs.

20% TAXATION



## 3

# TAX REFORM: HEALTHY, SUSTAINABLE, WITH SOLIDARITY

As a means for health promotion and preservation of the environment, and as an innovative public revenue mechanism, we recommend the adoption of a Contribution for Intervention in the Economic Domain (CIDE) or a selective tax on harmful products, including UPFs, especially sugar-sweetened beverages, tobacco, alcohol, and fossil fuels.



1 Premature Deaths Attributable to the Consumption of Ultraprocessed Foods in Brazil (ajpmonline.org).  
 2 See "VIGISAN\_Inseguranca\_alimentar.pdf" at olheparaafome.com.br.  
 3 PNS 2019/IBGE.  
 4 <https://evidencias.tributosaudavel.org.br/lado-oculto/>.  
 5 <https://evidencias.tributosaudavel.org.br/experiencias-internacionais/>  
 6 <https://evidencias.tributosaudavel.org.br/>