Chapter 8

Taxing Meat and Animal Food Products

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ABSTRACT

This chapter develops the argument for taxing meat and animal-based products higher than other foods because of their negative effects on both human health and the environment. This includes a disproportionately higher contribution to climate change compared to plant-based options. With the taxation system serving as a mechanism for revenue collection and distribution, it is important to make transparent the reasons for taxing animal foods as well as the services and facilities which will benefit from the increased government proceeds. The example of goods and services tax (GST) in Australia is used to estimate the additional state revenue that can be collected through taxing meat. Taxing also acts as a social marketing mechanism to push consumption away from animal based food products and towards better dietary choices.

INTRODUCTION

Taxation systems serve one main goal - namely to raise revenue for services provided by governments (Gans et al., 2014). Closely linked to this fiscal purpose of taxation is the use of the raised revenue to lessen income and wealth distribution inequality within society (Cox et al., 2009). This is why some refer to taxation as a “tax and transfer system” (Commonwealth of Australia, 2009). There are many principles how taxation levels should be determined and what activities should be supported with the tax revenue. For example, the Australian Council of Social Services states that taxes should be: adequate in order to provide the needed revenue; equitable in distributing public support between low, middle and high-income earners in a way that improves and maintains good living standards for all; and economically efficient by differentiating between various forms of income and activities (ACOSS, 2013).

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Among the multitude of activities on which taxes can be collected – also described as bases for taxation – private consumption is of a particular interest when it comes to food. Although the main principle for consumption taxes is that they should be broad and simple, provisions are made for the existence of specific taxation to “efficiently address social or economic costs – such as taxes on tobacco, alcohol… and environmental costs” (Commonwealth of Australia, 2009, p. xviii). According to OECD (2015, p. 25), pricing mechanisms such as taxes encourage actions to reduce environmental damage “at least cost”.

Every true economist would argue that introducing a tax on purchasing a particular product does not change the demand curve but only pushes it towards making the prices higher allowing for more revenue to be collected (see Figure 1). In this respect taxes per se are not a mechanism for social marketing as they are not aimed at shifting demand or changing social preferences. The relationship between taxes and human behaviour however is more complex. When consumers are required to pay a higher price for the same product after the introduction of a tax (E1 in Figure 1), they start reconsidering their purchasing behaviour. Consequently, a new equilibrium point between demand and supply (E2 in Figure 1) is established at a higher price and lower quantity of demand (Gans et al., 2014).

As in the case of tobacco or alcohol, taxation sends clear signals that there are costs to be borne by society for which the individual consumers should pay. This makes the taxation process transparent and leaves it to consumers to decide whether to continue with a particular behaviour or change their choices to products that are not singled out as being particularly costly to society. When given such a transparency role, taxation becomes a mechanism for social marketing. Overall, it is highly likely that with the introduction of a tax the new equilibrium between demand and supply will result in lower quantities sold at a higher price (see point E2 in Figure 1).

Figure 1. Changes in demand and supply following a new tax

E – equilibrium point between supply and demand; E1 – equilibrium point between demand and supply after the introduction of a new tax; E2 – equilibrium point after shift in demand in response to the new tax
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