

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Denmark

**Post:** Stockholm

### Danish Fat Tax on Food

**Report Categories:**

Trade Policy Monitoring

Dairy and Products

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**Report Highlights:**

With the aim of improving the health of the Danish population, the Danish government has implemented a controversial fat tax on food products. The tax applies to food products high in saturated fat and affects dairy products, vegetable oils and meat.

## **General Information:**

### **Background**

On October 1, 2011, the Danish government implemented a tax on food high in saturated fat. Products affected by the tax include meat, cheese, butter and vegetable oils [1]. The tax is the first of its kind in the EU and was imposed to help Danish consumers make better and healthier food choices. For the same reason, Denmark imposed similar health related taxes on confectionary and soft drinks between 2008 and 2010.

The fat tax rate is DKK 16 per kg saturated fat and applies to domestic and imported food products with a saturated fat content exceeding 2.3%. The expected cost for Danish food producers and importers is about DKK 1 billion (USD 180 million) per year. The tax will be collected by the processors and importers, not the retail sector. Expected increases in food prices will vary depending on the food category, please see table below.

<b>Food Product</b>	<b>Saturated fat per 100 gr</b>	<b>Price (DKK) Before</b>	<b>New Price (DKK)</b>	<b>Price Increase (%)</b>
Butter, 250 g	51.8	15.50	18.1	16.7
Cheese 45+, 500 g	16.7	34.40	36.1	4.9
Rapeseed Oil, 1 liter	6.4	9.95	11.03	10.9
Pork, 500 g	6.5	19.95	20.96	5.1
Beef, 1,000 g	5.2	199.88	200.9	0.5

Source: The Danish Ministry of Taxation

### **Danish Food Industry Critical**

The tax has predictably been heavily criticized by the Danish food industry, which claims that it will harm productivity and imports. Danish exports will, however, not be affected by the tax as it only applies to products consumed in Denmark. The food industry fears that the tax will encourage Danes to travel across the border to Germany and Sweden to shop. In addition, it questions whether it will actually lead to healthier eating as the tax might encourage the use of food additives to replace the saturated fats. The Danish government believes that consumer patterns will indeed change and estimates that saturated fat consumption will be reduced by 4%.

### **Implications on Trade**

As mentioned above, the obligation to pay the financial levy lies with the importer. The importer needs to be registered with the Danish Customs and Tax Administration. Registration is to take place before transport of the food from the foreign country has begun. The new tax is also an extra burden for exporters as they will have to calculate the saturated fat content included in their products in order for the Danish importer to pay the tax. Also, they will need to take the tax cost into consideration when setting the price.

It is hard to predict if the new tax will have any implications on import volumes of the affected products to Denmark. Products with relatively low saturated fat content, such as meat, will obviously be less

affected. The competitiveness of cheaper imported products might, however, be reduced since the tax is based on volume, not price. U.S. exports of products that are most affected by the tax (butter, edible oils and pork fat) to Denmark are rather limited. In 2010, U.S. exports of butter to Denmark were valued at USD 6 million while exports of edible oils and pork fat were virtually none.

<sup>[1]</sup> Products subject to taxation:

Dairy products under HS codes 0401-0406

Animal fat which are melted out or are extracted in other ways that are under HS codes 1501-1504 and 1516

Edible oils and fat under HS codes 1507-1516

Margarine and other food under HS codes 1517

Spreadable blended spreads under HS codes 2106

HS codes are not used for meat products. Meat from cattle, swine, sheep, goat, horse and poultry is taxed based on the meat content and the average standards of saturated fat in the individual species.

Other food which, based on an overall evaluation of the nature of the food, its use and the way it is marketed, can be considered to be a substitute for or imitation of the goods specified above.