



## Topic 6-5 Tax Benefits Task

### Shun the Sugar/Eat the Beet (Juice)

Let's say 10 people live in the town of Nirvana. Each earns \$10,000 and the government needs \$10,000 to pay for all the goods and services that the people want it to perform. They vote to impose a tax of 10% on their income to raise this money. This means each of them will pay \$1,000 each.

At last month's town hall meeting, the council decided it needed to do something to combat the high obesity rates in the town. They decided to enact a policy to encourage eating fruits and vegetables and discourage eating fatty and sugary food and drink. Now they are considering the following ways to do that:

- 1 Ban all sugary drinks and food from everywhere or schools, hospitals and public places.
- 2 Pass a law regulating the sale of sugary drinks—for example, drinks can't have more than a certain percentage of sugar Add a tax to all sugary drinks and foods bought in town.
- 3 Tax all sugary drinks bought and/or sold in town.
- 4 Give a tax preference to either
  - a. manufacturers or sellers of healthier drinks (water, milk, juice),
  - b. stores that sell a certain amount of healthier drinks,
  - c. people who show receipts for buying certain amounts of healthier drinks.  
(If you choose this option, what type of tax preference should it be (exclusion, credit or deduction)?
- 5 Give people coupons to buy certain amounts of healthier drinks.
- 6 Randomly hand out money to people when they buy healthy drinks and not sugary ones.

What is your recommendation and why?