Policy Brief 2:7
Excerpt from the Swedish report Konsumtionens gränser. (The Limits of Consumption)

Food Tax Shift: A Good Idea?

Green tax shifts are an established policy tool, but how can they be applied to reduce the environmental impact of what we eat? A food tax shift means increasing taxes on foods that negatively affect climate and health and lowering taxes on foods with low climate impact or positive public health effects. Our research shows that it is possible to design a food tax shift that delivers significant benefits for both health and the environment, without harming either low-income households or public finances.

> The food industry and food retailers have a strong influence on our eating habits through their marketing, pricing, and product development.

Dietary habits as a societal, environmental, and public health problem
Unhealthy dietary habits are currently the leading risk factor for premature death in Sweden, greater than both smoking and alcohol. More than half of all adults live with overweight or obesity. Children's diets are also a concern. Only one in ten children eats enough fruit and vegetables, and the share of children with obesity has more than doubled compared to thirty years ago.

What we eat is not only a private matter, but also a societal issue. Diet related ill health leads to high healthcare costs and productivity losses, costs that society as a whole must carry. Our diets also shape environmental impacts at scale. The climate impact from Swedes' food consumption is almost twice as large as the emissions from all passenger car traffic in Sweden. To reduce emissions in line with global climate targets, technical solutions in agriculture and transportation are not enough. We also need to change what we eat.

It is also important to understand that dietary habits are not only the result of personal preferences. Most people today are surrounded by a large supply of cheap, easily available, calorie dense but nutrient poor foods, which strongly shape choices in grocery stores. The food industry and food retailers influence dietary habits through marketing, pricing, and product development.

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How a food tax shift can be designed

Today, dietary guidelines are the main policy instrument for promoting healthy and sustainable eating, yet they are a relatively weak tool for changing actual consumption patterns. More powerful policy interventions are therefore needed. Different taxes and subsidies affect consumption in different ways. In general, people tend to buy less when prices rise and more when prices fall. In our research, we examined the effects of raising or lowering specific taxes on food.

One possible design is to remove value added tax entirely from fruit, vegetables, legumes, and whole grain products (normally subject to 12 percent VAT), while introducing excise taxes on sugar sweetened beverages, processed meat, and red meat (see Table). Our calculations suggest that eliminating VAT would increase consumption of these healthier foods by 4 to 18 percent, while consumption of sugar sweetened beverages would fall by about one quarter. Beef consumption would decline by 19 percent, bringing it back to levels similar to those observed in the 1990s.

	Tax change	Change in consumption
Fruit, vegetables, root vegetables, legumes	0% VAT	+4,4%
Wholegrain products	0% VAT	+7 to +18%
Sugar-sweetened beverages	Tax €+0.3 per liter	-24%
Beef and lamb	Tax €+2.7 per kg	-19%
Pork	Tax €+0.5 per kg	-0,7%
Processed meat products	Tax €+2.7 per kg	-5,5%

Changed dietary habits = 700 prevented deaths per year in Sweden!

Effects on health, the environment, and low-income households

We also evaluated the expected impacts of the proposed tax shift. Health effects were analysed using a World Health Organization model that simulates changes in the number of premature deaths, meaning deaths before the age of 70, in the Swedish population. According to our calculations, dietary changes would reduce premature deaths by just over 700 people per year. For comparison, in Sweden around 200 people per year die in road traffic. The analysis also indicates that the positive health effects would be somewhat larger for low-income groups than for high-income groups.

We also analysed environmental effects. Overall, the simulated food tax shift would reduce the climate impact of total food consumption by 4.4 percent. That corresponds to around 700,000 tonnes of carbon dioxide equivalents for the Swedish population, similar to roughly an eight percent reduction in emissions from Swedish passenger cars. In addition, the consumption shifts generate positive effects for several other environmental dimensions, largely because lower meat consumption reduces the need for animal feed.

The food tax shift would generate socio-economic benefits through reduced healthcare costs and lower expenditure on sickness benefits.

Distributional effects are essential to consider. Food price increases usually affect low-income households more because they spend a larger share of income on food. In this reform, excise taxes on some foods are balanced by removing value added tax on others. Our calculations show that the net effect is negligible for all income groups, below one euro per month per person. The reform is designed to be fiscally neutral for the state in the short term, and in the long term it is expected to generate net benefits through lower health care costs, reduced productivity losses due to illness, and lower environmental costs. Because the taxes and subsidies are applied uniformly within each food category, domestically produced foods are not disadvantaged compared to imports. Our conclusion is that a food tax shift can be designed to deliver substantial benefits without negatively affecting household finances.

The research was conducted by eight researchers from Chalmers University of Technology, Karolinska institutet, and the Swedish University of Agricultural Sciences. The effects of tax changes were simulated using extensive data from ICA, the largest Swedish food retainer. The selection of foods to subsidise or tax was based on the Nordic Nutrition Recommendations. Taxes on meats were based on differences in climate impact.

In addition to the research described above, public and political acceptability of a food tax shift has been analysed in a separate articles (see below).

Further reading – or ask questions using www.greenchat.se/eng

- Larsson, J. et al. (2025). Cost neutral food tax reforms for healthier and more sustainable diets. Ecological Economics
- Web-page: foodtaxshift.com
- Podcast: Can we eat better without paying more?
- Ejelöv, E., et al. (2025). Public and political acceptability of a food tax shift, an experiment with policy framing and revenue use. Food Policy
- Ejelöv, E., et al. (2025). Understanding opposition: arguments for and against a meat tax in Sweden and their effect on policy attitudes. Environmental Research: Food Systems

This research is funded by the Mistra Sustainable Consumption research programme.

For further information, see:
www.sustainableconsumption.se/en

Reference to this text

Larsson, J., Ejelöv, E. (2026). Food tax shift: a good idea? Mistra Sustainable Consumption – policy brief 2:6. Stockholm: KTH Royal Institute of Technology.

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