

A close-up, high-contrast photograph of two black stethoscopes against a blue gradient background. The stethoscopes are positioned diagonally, with their chest pieces at the bottom right and their earpieces extending towards the top left. The lighting creates strong highlights and deep shadows, emphasizing the curves and textures of the tubing and chest pieces.

**2026–2027  
Pre-Budget Submission**



## **Pillar 4** A health system for all

# Chapter 4: A health system for all

## Problem statement

While governments recognise the importance of good health, investment in preventive health is often regarded as a cost rather than an investment. In Australia, spending on preventative health remains low by Organisation for Economic Co-operation and Development (OECD) standards, accounting for only 2.9 per cent of total health expenditure.<sup>i</sup> There are several reasons for this, including:

- Investment in prevention often does not show immediate returns
- Short-term political cycles incentivise initiatives that will deliver demonstrable short-term rewards rather than long-term benefits
- There are challenges in collating the evidence to determine what preventive measures have the greatest efficacy
- There are several piecemeal sources of funding for preventive health across the various levels of government, reducing the ability to determine the return on investment
- The loss of the Australian National Preventive Health Agency — an independent agency focused on providing evidence-based advice to federal, state and territory governments on preventive health and the effectiveness of interventions — in 2014<sup>ii</sup>
- Healthcare needs and outcomes are not uniform across the Australian population
- The complexity of social determinants of health
- Preventive health programs often consist of a variety of different initiatives, leading to challenges in identifying those which are most successful.<sup>iii</sup>

Public health encompasses a broad range of measures that aim to prevent disease, promote health and wellbeing, and prolong life. Investing in public health measures such as disease surveillance, vaccination programs, and health promotion, can have a significant impact on reducing healthcare costs and improving health outcomes. Public health initiatives also aim to address health and social inequalities and ensure everyone has access to healthcare, regardless of their socioeconomic status, Indigenous status, or geographic location. For public health measures to be successful, they must encourage all the population to take preventive actions to improve their own health outcomes.

More than one-third (36 per cent) of the total burden of disease in Australia in 2024 could have been prevented by reducing exposure to the modifiable risk factors identified in the Australian Burden of Disease Study 2024.<sup>iv</sup> Overweight and obesity were the leading risk factors contributing to total disease burden in 2024 (8.3 per cent), displacing tobacco use as the leading risk factor. Notably, the total disease burden attributed to tobacco use declined significantly (by 41 per cent) between 2003 and 2024, after adjusting for age. The scale of the overweight and obesity crisis is not surprising, given the significant consumption of unhealthy foods and drinks in Australia due to their wide availability and affordability. According to the United Nations' 2025 Child Nutrition Report,<sup>v</sup> the global prevalence of overweight and obesity among school-age children and adolescents has exceeded underweight for the first time.

Poor diet is compounded by low levels of physical activity and unhealthy food choices. The economic costs of overweight and obesity include direct healthcare expenses related to the treatment of these conditions and their associated comorbidities, such as type 2 diabetes, heart disease, hypertension, stroke, gallbladder disease, osteoarthritis, sleep apnoea and other respiratory problems, mental health disorders, and certain cancers (including endometrial, prostate, breast, and colon). Indirect costs borne by individuals, families, businesses, government, and society include reduced quality of life, stigmatisation, and decreased workforce participation and performance. These indirect costs often surpass direct healthcare costs. In Australia, the total economic cost of overweight and obesity was estimated at \$39 billion, or 1.9 per cent of GDP, in 2019. This figure is projected to rise to more than \$62 billion by 2030, and more than \$228 billion, or 3.5 per cent of Australian GDP, by 2060.

From a health perspective, it is far better to prevent obesity in the first place than attempt to manage it once established.

## Policy proposals

### A tax on sugar-sweetened beverages

This section draws on the AMA research report [A tax on sugar-sweetened beverages: Modelled impacts on sugar consumption and government revenue](#) with some of the modelling adapted and extended to give estimates between 2026–27 and 2029–30.

Sugar-sweetened beverages are a major contributor to the obesity crisis, with studies showing a strong association between the consumption of these drinks and obesity.<sup>vi</sup> Additionally, sugar-sweetened beverages have a significant impact on oral health, as regular consumption is associated with dental caries/cavities (tooth decay) and erosion.<sup>vii</sup>

Sugar-sweetened beverages contain 8–12 teaspoons (33–50 grams) of sugar in an average 375-millilitre can of soft drink.<sup>viii</sup> Despite the high sugar content and associated health risks, Australians continue to consume these beverages in large volumes. In 2019–20, Australians consumed an average of 70 grams of free sugar a day, with more than a quarter (18 grams) coming from sugary drinks.<sup>ix</sup> The AMA estimates Australians drink about 2.2 billion litres of sugar-sweetened beverages per year.<sup>x</sup>

In June 2024, the House of Representatives, through the Standing Committee on Health, Aged Care and Sport, released a [report](#) on the State of Diabetes Mellitus in Australia in 2024. The committee highlighted the importance of prevention and referenced the National Preventative Health [Strategy](#) 2021–2030, the National Diabetes [Strategy](#) 2021–2030, and the National Obesity [Strategy](#) 2022–2032. All three strategies recognise prevention is vital to addressing the rising tide of chronic diseases such as diabetes and obesity. Preventive action saves lives, reduces the impact of diabetes on Australia’s economy, and eases pressure on the health system. Preventing diabetes is also financially advantageous, with prevention resulting in an estimated net economic benefit of \$4.65 for every \$1 invested.<sup>xi</sup> Past policies that focused on personal responsibility — encouraging changes in eating habits and increased exercise to address diabetes and obesity — have led to limited systems-level action (i.e. policy, regulation, industry implementation). Multiple expert groups specialising in obesity and diabetes have called for a paradigm shift in policy making, moving from personal responsibility to shared responsibility, with greater accountability required from government and industry leaders.

The consumption of sugar-sweetened beverages is linked to weight gain and an increased risk of developing type 2 diabetes. Based on the evidence provided through public submissions and hearings, the committee recommended:

*"The Australian Government implements a levy on sugar-sweetened beverages, such that the price is modelled on international best practice and the anticipated improvement of health outcomes. The levy should be graduated according to the sugar content."*<sup>xii</sup>

As of November 2025, the government has not issued its response.

A tax on the sugar content in sugar-sweetened beverages can deliver both a clear message to consumers that the product is unhealthy and a tangible deterrent in the form of higher prices. An appropriately designed tax can also incentivise manufacturers to reduce the sugar content in their products. In 2024, Grattan Institute joined the AMA's calls for a sugar tax,<sup>xiii</sup> advocating for the introduction of a tax on sugary drinks and joining a growing list of leading public health groups.

### **Tax design**

The AMA recommends that the tax be based on sugar content, using a sliding scale in which the tax increases as the sugar content rises. A sugar-content tax is the most logical option, given the harm caused is proportionate to the amount of sugar rather than the product's value or liquid volume. It is the only option that creates an incentive for manufacturers to reduce the sugar content of their products and is therefore the most targeted approach to reducing sugar consumption.

### **Sugar-sweetened beverages subject to the tax**

The AMA is calling for a tax on selected sugar-sweetened beverages — specifically, all non-alcoholic drinks containing free sugars, excluding 100 per cent fruit juice, milk-based drinks, and cordials (i.e. those that provide no nutritional benefit).

### **Target of tax**

The AMA recommends the tax be applied to both domestic and international manufacturers of sugar-sweetened beverages. The tax should target manufacturers to incentivise reformulation. An excise (and customs) tax is the most logical mechanism to achieve this.

### **Scale of tax**

It is recommended the tax be set at \$0.50 per 100g of sugar, to reduce consumption, improve health outcomes, and lower the financial burden on the healthcare system. This aligns with the World Health Organization's recommendation that a tax on sugar-sweetened beverages would need to raise the retail price by at least 20 per cent to have a meaningful health effect.<sup>xiv</sup> Several comparable countries to Australia have implemented sugar-content taxes, some of which are set at a similar rate to that which is proposed. Such a tax would raise the price of a 375millilitre can of Coke (which contains 40g sugar) by \$0.20.<sup>xv</sup>

### **Risks and implementation**

Australian surveys have consistently shown majority support for a tax on sugar-sweetened beverages.<sup>xvi</sup> Public support is even higher when tax revenue is hypothecated to fund initiatives aimed at tackling obesity.<sup>xvii</sup> A nationally representative survey conducted in 2017 found 60 per cent of Australians supported a tax on sugary drinks. This figure increased to 77 per cent when the proceeds were earmarked for obesity prevention. Risks associated with introducing a sugar-sweetened beverage tax are limited, as several other countries have successfully implemented such measures, reducing consumption and incentivising the reformulation of sugar-sweetened beverages.<sup>xviii</sup>

More than 130 jurisdictions, including more than 100 countries, have applied national-level excise taxes on at least one type of sugar-sweetened beverage. These jurisdictions include eight in the United States (Albany, California; Berkeley, California; Oakland, California; San Francisco, California; Seattle, Washington; Boulder, Colorado; Philadelphia, Pennsylvania; and Washington, District of Columbia); two in Canada, two in Europe, and four in the Pacific Islands. Although some countries adopted sugar-sweetened beverage taxes primarily for revenue raising reasons, 108 countries have implemented the sugar tax overall.<sup>xix</sup>

In a number of countries, including the United Kingdom (2018), Mexico (2014), France (2012), Chile (2014), Catalonia, Spain (2016), and several jurisdictions in the United States (Portland, 1991; Cleveland, 2003; Berkeley, 2015 and 2024), robust evaluations have shown declines in the consumption of sugar-sweetened beverages following tax implementation. Furthermore, in the UK, modelling has shown that the amount of sugar consumed by children decreased to almost one teaspoon per day within a year of the sugar levy being introduced in 2018.<sup>xx</sup>

This trend is also reflected in adults, whose sugar intake fell by the equivalent of more than two teaspoons per day.<sup>xxi</sup> Further, between 2015 and 2019, the percentage of supermarket drinks containing more than 5 gram of sugar per 100 millilitre decreased from 49 per cent to 15 per cent of available products.<sup>xxii</sup>

Noteworthy in Hungary, a significant reduction in obesity prevalence in the general population ensued after the implementation of a public health product tax in 2011. Overweight and obesity rates have declined in Brazil, Hungary, and Panama, while slowing trends have been observed in El Salvador, Honduras, and France. Furthermore, a significant reduction in obesity levels has been observed in both Panama and Paraguay following the implementation of sugar-sweetened beverage taxation.<sup>xxiii</sup>

As such, Australia has multiple successful international examples from which to draw when implementing such a tax.

### **Impact on obesity and healthcare expenditure**

Reduced sugar consumption and an improved diet would likely lower the prevalence of overweight and obesity, resulting in substantial healthcare savings. According to previous Australian modelling in 2019, a sugar-sweetened beverage tax that raises the retail price by 20 cents could reduce the prevalence of obesity by about 2 per cent and generate healthcare expenditure savings of \$609 million to \$1.73 billion (over the lifetime of the population modelled).<sup>xxiv</sup>

### **Impact on vulnerable groups**

A flat tax will inevitably have a greater impact on lower-income consumers of the taxed product, as a proportion of their expenditure or income. This regressive effect is reduced if there is an untaxed substitute that consumers can easily switch to.<sup>xxv</sup> In the case of sugar-sweetened beverages, healthy substitutes such as water are readily available and affordable to most people. By making this change, consumers can avoid the tax while also improving their health.

### **Impact on sugar industry**

There would be minimal impact on Australia's sugar industry, as about 80 per cent of domestic sugar production is exported (averaged over the past decade),<sup>xxvi</sup> and only 4.8 per cent of total domestic production goes towards the domestic manufacture of sugar-sweetened beverages.<sup>xxvii</sup> The estimated change in sugar-sweetened beverage consumption due to the proposed tax is 14 to 25 per cent, which translates to a 0.72 to 1.2 per cent drop in demand for domestic sugar production. The domestic sugar market experiences a much greater level of volatility than this change.<sup>xxviii</sup>

The impact on the sugar industry is therefore anticipated to be minimal and does not appear to warrant a government assistance package. The government may wish to consider whether there are specific small-scale farmers who mainly supply the domestic market and who may warrant an assistance package (which could be funded from the tax revenue). The sugar industry is in a stronger position now than it has been in some time. The global benchmark sugar price is about US\$0.14 per pound, whereas it often fell as low as US\$0.10 per pound over the past decade, including as recently as 2020.<sup>xxix</sup>

### **Risks of not taking action**

There is a strong association between the consumption of sugar-sweetened beverages and increased energy intake, weight gain, and overweight and obesity.<sup>xxx</sup> Conversely, reduced consumption of sugar-sweetened beverages are significantly associated with weight loss.<sup>xxxi</sup> People living with overweight or obesity incur healthcare costs that are about 30 per cent higher than those of their healthy-weight peers.<sup>xxxii</sup> Many of these costs are borne by the government, with the AMA estimating that, if no action is taken to stem the obesity crisis, by 2025 governments will have incurred an additional \$41.5 billion in direct healthcare costs related to obesity (over the four years to 2029–30).<sup>xxxiii</sup>

Soft drink manufacturers have long argued that consumers are switching away from sugar-sweetened drinks towards artificially sweetened (zero sugar) beverages. However, the latest ABS publication *Apparent Consumption of Selected Foodstuffs* shows that in the most recent year, soft drink consumption actually increased (up 3.6million litres or 2.2 per cent).<sup>xxxiv</sup> Apparent consumption of energy drinks and electrolyte

drinks (sports drinks) recorded the largest percentage increases in per-capita volumes over the most recent year, and recorded the fastest growth in sales over the six years to June 2024. Energy drink consumption rose by 64 per cent and electrolyte drinks by 60 per cent during the reporting period (2018–19 to 2023–2024). This growth undermines the shift of consumers towards drinking artificially sweetened beverages, which grew by 5.5 per cent compared with 1.5 per cent for sugar-sweetened varieties. Unfortunately, even the small health gains made from changing consumer preferences have now been lost.

### Timeframe and costing

Original modelling by the AMA indicates a tax on select sugar-sweetened beverages would reduce sugar consumption by 14 per cent in 2026–27 and by 25 per cent by 2029–30, while raising annual government revenue of \$904 million in 2026–27, falling to \$828 million in 2029–30. Over the four-year period (2026–27 to 2029–30), this would translate to government revenue of \$3,463 million. More importantly, it would reduce sugar intake from sugar-sweetened beverages by about 2.2 kilograms per person per year. The rate of tax per 100g of sugar is indexed at an assumed 2.5 per cent between 2026–27 and 2029–30.

Consumption of sugar-sweetened beverages is expected to drop the most when the tax is first introduced. One assumption in this modelling is that manufacturers will reformulate their products to reduce the impact of the tax and to align with an accelerated consumer preference for healthier beverages. These two factors are projected to result in lower tax revenue over time. The rate of reformulation is assumed to mirror the reduction in sugar per beverage (34 per cent) observed in the United Kingdom following introduction of a similar tax, but spread across a longer timeframe of five years, compared with three years in the United Kingdom.

In this modelling, the impact of the tax is compared to and built upon a ‘no tax’ scenario. In the no tax scenario, growth in sugar-sweetened beverage consumption is estimated using industry volume data from IBISWorld<sup>xxxv</sup> industry projections, along with inflation data<sup>xxxvi</sup> and forecasts.<sup>xxxvii</sup> Inflation beyond the forecast period is assumed to average 2.5 per cent. It is also assumed there will be a gradual shift toward no- and low-sugar beverages, with these products gaining a one per cent increase in market share each year, in line with the aggregate industry trend.<sup>xxxviii</sup>

It is anticipated the government would use the existing Australian Taxation Office (ATO) policies and processes for excise and excise-equivalent goods to administer the new sugar-sweetened beverage tax. It is assumed there would be an initial cost to establish new internal processes — an indicative estimate of \$2 million in set-up cost and \$0.5 million per year thereafter for the ATO’s ongoing compliance duties. The modest cost reflects the current excise programs and procedures already in place for other beverages (such as alcohol), which would need to be expanded rather than newly created.

**Table 1: Impact of implementing an excise tax on select sugar-sweetened beverages**

	2026–27	2027–28	2028 –29	2029–30	Total
Sugar per person from sugar-sweetened beverages (kg/person)	6.3	6.0	5.6	5.3	
Excise rate per 100gram sugar (\$)	\$0.50	\$0.51	\$0.52	\$0.53	
Sugar-sweetened beverages revenue (\$m)	\$904	\$878	\$853	\$828	\$3,463
Estimated cost of administration to the Australian Taxation Office (\$m)	\$2.00	\$1.00	\$1.00	\$1.00	\$5.00
<b>Total revenue to government (\$m)</b>	<b>\$902.0</b>	<b>\$877.0</b>	<b>\$852.0</b>	<b>\$827.0</b>	<b>\$3,458.0</b>

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