Denmark levies world's first fat tax

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Denmark Saturday became the first country in the world to impose a fat tax after a week in which consumers hoarded butter, pizza, meat and milk to avoid the immediate effects.

"We have had to stock up with tonnes of butter and margarine in order to be able to supply outlets," Soeren Joergensen of Arla Distribution told AFP.

The new tax, designed by Denmarks outgoing government as a health issue to limit the populations intake of fatty foods, will add 16 kroner ($2.87, 2.15 euros) per kilo (2.2 pounds) of saturated fats in a product.

This means an increase in the price of a pack of 250 grammes of butter, for example, by 2.20 kroner to more than 18 kroner.

"It has been a chaotic week with a lot of empty shelves. People have been filling their freezers," Christian Jensen of an independent local Copenhagen supermarket told AFP.

"But actually I dont think the tax will make that much difference. If people want to buy a cake, they will buy it. But right now theyre saving money," he added.

The new tax will be levied on all products including saturated fats -- from butter and milk to pizzas, oils, meats and pre-cooked foods -- in a costing system that Denmarks Confederation of Industries (DI) says is a bureaucratic nightmare for producers and outlets.

"The way that this has been put together is an administrative nightmare, and I doubt whether it will give better health. Its more just a tax," DI foodstuffs spokeswoman Gitte Hestehave told AFP, adding that the costs of levying the tax would be passed on to consumers.

Hestehave said that setting prices on domestically produced or imported goods was complicated, as it required declarations from producers both as to how much saturated fat was in the product itself, and used in its preparation.

Computer systems all had to be adjusted, adding many man-hours to administrative tasks for producers and sellers.

"Products that include other products that include saturated fats also have to have new prices worked out. Imported goods require a declaration from the producers abroad on exactly how much saturated fat has been used in production," Hestehave said.

"As far as we have been able to determine, Denmark is the first country in the world to introduce a fat tax" but we know that other countries are following us closely and have their own plans, she said.

The new Danish tax, however, may not last long.

EU legal expert Jeppe Rosenmejer of the Danish Federation of Small and Medium-sized Enterprises says the European Union is currently studying the tax as there may be a competition issue.

While producers in Denmark have to pay the tax at source, for imported goods it is calculated by the distributor.

"This can mean that imported goods will be cheaper than domestically produced items," Rosenmejer told the national Jyllands-Posten daily.

A Danish producer will have to pay the tax on all of the saturated fat used, including for example what a product is fried in, he said. An importer may only be paying according to what is actually in the finished product.

"Hopefully the tax will be short-lived," Rosenmejer said.

The right-wing government that decided on the tax was superceded by a centre-left administration in elections last month.

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