

# STATES OF JERSEY



## **GOODS AND SERVICES TAX: EXEMPTION OR ZERO-RATING FOR HEALTH FOODS (P.81/2011) – COMMENTS**

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**Presented to the States on 7th July 2011  
by the Minister for Health and Social Services**

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**STATES GREFFE**

## COMMENTS

As Minister for Health and Social Services I support measures that have a tangible effect on health improvement, but I cannot support this proposition for the following reasons.

This Assembly has previously rejected GST food exemptions because they place a burden on business which is disproportionate to the likely benefit to society. If that benefit was to outweigh the burden then exemptions should be considered, but there is no clear evidence yet that any jurisdiction has found a workable means of using tax policy to improve nutrition.

The Government in New Zealand, which is often lauded for its progressive best practice GST system, has recently rejected a Private Member's Bill. Their reasons for rejection echo ours: the complexity of defining healthy food, the administrative burden and, most importantly, the fact that such an adjustment would disproportionately benefit higher-income groups without necessarily creating behaviour change for lower-income groups.

We know that diets rich in saturated fat, salt and sugar present a risk to human health and that there is a high price to pay for poor diets, both economically and socially. We also know that those in lower-income groups tend to eat less "healthily" than those in higher-income groups. We do not know, however, whether the marginal saving made by GST exemption would be sufficient to change purchasing or eating behaviour. Would a 10p saving on a loaf of brown bread costing £1.99 be sufficient to encourage someone with a poor diet to buy the brown loaf rather than the white loaf costing £1.60? Or would it simply create an additional financial saving for someone already intending to buy the brown loaf?

The World Health Organisation (WHO) has recommended that 'national governments use financial incentives and disincentives to encourage consumers to switch to healthier diets'. HSSD absolutely recognises that financial incentives/disincentives have a potential role to play – both in relation to the cost of foodstuffs and in relation to the costs associated with treating and managing the consequences of a poor diet – but queries the effectiveness of the marginal financial benefit to be gained by any one individual through a GST exemption. HSSD would not advocate the introduction of any financial measure, either a deterrent or encouragement, where there was no evidence that it would result in a positive health benefit.

There are clear economic arguments **against** GST exemptions, as outlined in the comments of the Council of Ministers, which are not outweighed by any clear benefits on health grounds **for** GST exemptions. I therefore urge members to reject this proposition.