

# STATES OF JERSEY



## G.S.T. ON MENSTRUAL SANITARY PRODUCTS (P.66/2022): AMENDMENT

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Lodged au Greffe on 14th April 2022  
by the Minister for Treasury and Resources

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STATES GREFFE

GST ON MENSTRUAL SANITARY PRODUCTS (P.66/2022):  
AMENDMENT

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**1 PAGE 2, PARAGRAPH (a) –**

Inserted at the beginning of the paragraph the words “to agree in principle, subject to a review,” and insert the words “, or zero-rated for the purposes of,” shall be after the word “from”.

**2 PAGE 2, PARAGRAPH (b) –**

Insert at the beginning of the paragraph the words “if that review concludes that those products should be exempt or zero-rated”; replace the words “to issue law-drafting instructions in order that” with the words “bring forward”; and delete the words “may be brought forward”.

MINISTER FOR TREASURY AND RESOURCES

**Note:** After this amendment, the proposition would read as follows –

**THE STATES are asked to decide whether they are of opinion –**

- (a) to agree in principle, subject to a review, that all menstrual sanitary products should be exempt from, or zero-rated for the purposes of, G.S.T; and
- (b) if that review concludes that those products should be exempt or zero-rated, to request the Minister for Treasury and Resources to bring forward the necessary legislative amendments to give effect to paragraph (a).

## REPORT

Evidence on the impact and effectiveness of reducing the rate of VAT/GST on period products is mixed and does not fully consider the Jersey context. More needs to be done to understand the potential implications for Jersey consumers, retailers and the Government of exempting or zero-rating period products from GST.

This amendment, therefore, seeks to allow further time to undertake the additional research necessary to determine whether the outcome sought in proposition P.66/2022 will be achieved by removing GST from period products.

Given that any legislative change would need to be brought forward in the next draft Finance Law, which will be lodged by the end of October 2022, the additional time sought in this amendment will not delay the date for introduction or implementation of any legislative change.

### Implications for Jersey consumers and retailers

The UK Treasury estimated that removing 5% VAT on period products in 2021 would save the average person nearly £40 over their lifetime.<sup>1</sup> Given that the rate of UK VAT on those products at the time was the same as the current rate of GST, this suggests that the impact for Jersey consumers of removing GST may be limited. In addition, the full GST reduction (by zero-rating) may not be passed on to Jersey consumers. Some retailers operate GB-wide (sterling-zone retail pricing). Others may be reluctant to pass on low value GST savings to consumers to help offset the increased compliance costs of isolating these zero-rated sales in their accounting and till systems to account for GST correctly.

The experience of the UK suggests that it is not certain that reducing tax passes through to consumer prices: the reduction from 17.5% to 5% VAT on these products in 2001 only saw a 9% consumer price reduction. Whereas the complete removal of VAT on period products in January 2021 coincided with a small (approximately 1%) increase in retail prices between December 2020 and January 2021.<sup>2</sup> Outside the UK, there is mixed evidence that VAT/GST cuts are reflected in lower consumer prices.<sup>3</sup>

Since GST was introduced in 2007, the States Assembly has supported the principle that GST should be low (5%) and broad (limited exemptions and zero-rates) to keep accounting for the tax simple, minimising compliance costs for businesses and keeping administration costs low for Government.

Contrary to Senator Moore's assertion, GST is not a tax on "luxury goods" but on most goods and services. Jersey's "exemption schedule" reflects EU VAT Directives; and its zero-rating schedule is tightly drawn, providing fewer zero-ratings than the UK and the Isle of Man (which share a common VAT system).<sup>4</sup> Notably for the purposes of this proposition, prescription medicines are zero-rated, whereas medical and paramedical goods and services are exempt from GST. Jersey's ability to maintain a tax rate of 5% is closely linked to the broad application of GST.

The revenue collected through the tax system provides help for lower-income households through the social-welfare system. The Government has additionally announced its intention to supply period products free in schools. Moreover, Jersey-registered charities can already reclaim GST paid on goods supplied by them.<sup>5</sup> This type

of targeted help is considered more effective than wide reaching tax cuts that disproportionately benefit those who are better off.<sup>6</sup>

### Technical Note

Relief from GST in Jersey is provided in two ways:-

- Zero-Rating. If goods (and some services) are zero-rated, they are not charged to GST on importation and will remain zero-rated through the supply chain (importer to wholesaler to retailer to customer). The ultimate consumer pays no GST and any GST incurred in making the supply (i.e. “input tax”) is reclaimable by the registered businesses involved. Businesses need to isolate zero-rated goods in their accounting systems.

Schedule 6 of the Goods and Services Tax (Jersey) Law 2007 outlines the current list of zero-rated supplies. This includes residential land and property, prescription medicines, exports and international services.

- Exemption. If certain services (and some goods) are exempt from GST the supplier of the service will not charge GST but equally will not be able to reclaim GST input tax on the goods and services they use in supplying that service. Where a business is not wholly involved in making exempt supplies, rules exist restricting the amount of GST they can reclaim.

Schedule 5 of the Goods and Services Tax (Jersey) Law 2007 outlines the current list of exempt supplies. This includes financial services, insurance, medical and paramedical goods and services, supplies by charities, childcare, education, and burial and cremation services.

### **Financial and manpower implications**

It is not possible, at present, to identify the financial or manpower implications for the States arising from the adoption of this Amendment.

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<sup>1</sup> BBC News, ‘Budget 2020: Pledges on tampon tax and the future of cash’, [Budget 2020: Pledges on tampon tax and the future of cash - BBC News](#), March 2020, accessed 15/03/2022.

<sup>2</sup> Smith, Sarah, ‘Will scrapping the tampon tax help to reduce period poverty’, [‘Will scrapping the tampon tax help to reduce period poverty?’ - Economics Observatory](#), accessed 15/03/2022.

<sup>3</sup> Ross, Hanna and Roussow, Laura, ‘An Economic Assessment of Menstrual Hygiene Product Tax Cuts’, *Gates Open Research* 2020, 4.137, accessed 15/03/2022.

<sup>4</sup> Schedules 5 and 6 of the ‘Goods and Services Tax (Jersey) Law 2007’, as at 14/03/2022.

<sup>5</sup> Regulation 28 of the ‘Goods and Services Tax (Jersey) Regulations 2007’, as at 14/03/2022.

<sup>6</sup> Coelho, Maria, Aieshwarya Davis, Alexander Klemm, and Carolina Osorio Buitron, ‘Gendered Taxes: The Interaction of Tax Policy with Gender Equality,’ IMF Working Paper No. 22/26, 2022, p.g 37.