

STATES OF JERSEY



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

**Presented to the States on 4th July 2011
by the Council of Ministers**

STATES GREFFE

COMMENTS

The Council of Ministers is mindful of the intent behind the proposition of Deputy S. Pitman of St. Helier to encourage greater healthy eating among the population of the Island. Ministers, too, acknowledge the meaningful benefits of eating healthy foods and the need to promote healthy lifestyle choices.

But having considered the range of issues arising from the proposition, the Council of Ministers cannot support the proposal to zero-rate or exempt healthy food from GST.

One of the key features of Jersey's GST system is its simplicity, and Ministers are concerned that adding exemptions for various categories of foods would be difficult to implement and add a great deal of complexity to the GST system.

Previous States debates have shown the difficulty of making the distinction between food eligible for exemption or zero-rating and items taxable at the standard GST rate. Ministers believe that the definition of 'healthy food' is even more complicated and it would be difficult to define what is healthy and what is not.

A definition of 'healthy food' would, for example, need to distinguish between the many different ways that food is prepared, cooked and preserved.

Ministers therefore believe that the proposal to exempt or zero-rate 'healthy food' from GST is overly complex and unfeasible. The recent experience of New Zealand only serves to reinforce Ministers' belief that this proposal is unworkable and unnecessarily burdensome.

The Council of Ministers urges members to reject this proposition.