

STATES OF JERSEY



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

**Presented to the States on 15th July 2011
by the Minister for Treasury and Resources**

STATES GREFFE

COMMENTS

The Minister for Treasury and Resources recognises Deputy S. Pitman of St. Helier's acceptance of his comments regarding the unfeasibility of the original timescale proposed in her amendment.

However, notwithstanding the removal of the time constraints which made the original proposition unfeasible, the rest of the comment still stands.

In particular:

- It will be difficult, if not impossible, to prepare a definitive list of "healthy" food which would not be subject to constant challenge and change as thinking about nutrition evolves.
- There is no evidence that reducing the cost of healthy foods increases consumption of those foods amongst lower income groups.
- Reducing the cost of healthy food by 5% will not offset the price differential between many healthy and unhealthy choices. Reducing the cost is more likely to benefit those on higher incomes who would have chosen to buy the more expensive healthier option anyway.
- Income support and the GST food bonus have been designed to offset the cost of GST on food for those on lower incomes. This is a far more targeted way of protecting the less well-off in our society from the impact of GST, rather than giving a blanket exemption which may well be of more benefit to the better-off.
- Jersey's GST system is based on the New Zealand GST regime, which is widely regarded as one of the "best" GST models internationally. New Zealand recently rejected proposals to remove GST from healthy food because it felt there was not enough evidence that the damage to the GST regime's simplicity and efficiency would be outweighed by benefits to taxpayers.
- Concern voiced in New Zealand, which is equally valid in Jersey, was that allowing one group of products to be excluded from GST on social grounds would lead to calls for other exclusions in the future, thus compromising the rationale of the system (broad tax base and low tax rates) still further.

Statement under Standing Order 37A [Presentation of comment relating to a proposition]

As the States Sitting in which this amendment is to be discussed is starting a day earlier than usual, the deadline for presentation of comments is also a day earlier, being noon on the preceding Thursday instead of the usual Friday. The comment was not approved by the Minister for Treasury and Resources until 14th July 2011 due to the need to refer it to the Council of Ministers at their Thursday meeting.

The Minister would also point out that the Deputy's amendment was not received until Wednesday 13th July and that this comment will be distributed on Thursday 14th July.