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From: [redacted]
Sent: 23 May 2019 16:21
To: Finance Foodsuppl
Subject: Submission to the consultation on VAT treatment for Food Supplement products

Dear Sir / Madam

As owners of a business that has been supplying Food Supplements in the Irish market [redacted] we wish to make a submission to the consultation on VAT treatment for Food Supplement products.

Since we started our business [redacted] years ago our primary business has been selling food supplements. We supply health stores, pharmacies and also direct to consumers. [redacted]

[redacted]

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Since we started the company we have never charged VAT on any Food Supplements until after eBrief 70/11 when we applied VAT at 23% to weight loss products. For Revenue to claim that there has always been 23% VAT on all food supplements apart from a concession for vitamins, minerals and fish oils is a complete fallacy and is not a policy that the industry was aware of and was never asked to implement by Revenue. We have always treated supplements as foods as they are foods and sold them as foods at zero vat and were never requested by Revenue at VAT audits prior to eBrief 70/11 to apply Vat to any of our food supplement products.

We know this is the same for all health stores, pharmacies and other distributors and wholesalers selling food supplements. They have never applied VAT at 23% to food supplements.

If we were to now apply Vat at 23% or 13.5% to all of our products our sales would drop significantly. A jump in price of that magnitude across all food supplement products will mean consumers reducing the number of products that they purchase. Consumers will not simply absorb the cost and continue to purchase the same quantity of food supplements. This will have the effect that we will have no alternative but to make staff redundant in all departments as reduced sales will have an impact across all areas of the business.

[redacted]

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[redacted] There is no doubt that should VAT be applied at 13.5% or 23% then many of these customers will close down as they will not be able to stay open with the reduction in trade. Food supplements make up a large proportion of their turnover and if those sales reduce then so does the viability of their business.

When Vat was applied to protein powders and body building products in 2012 the sales of these products through health stores and pharmacies was decimated. Consumers moved online and to buying from outside of the state where prices are lower due to aggressive discounting and lower VAT rates or zero Vat rates from US online food supplement sellers that target Irish customers with incredibly low shipping rates. This means lower indirect taxes to the Irish Revenue such as PAYE, PRSI and, Corporation Tax and leaves consumers open to purchasing products that are not compliant with EU food law as all food supplements sold in Ireland have to be notified to the Food Safety Authority.

Consumers who are taking responsibility for their health by taking food supplements to reduce disease risk factors, maintain their good health and address diet deficiencies should not be penalised by paying VAT at 13.5% or 23%. Revenue have themselves admitted that the tax take from applying VAT to Food Supplements will be negligible. Therefore applying VAT to food supplements will make a small contribution to the exchequer whilst at the same time angering consumers, 71% of whom take food supplements and of those 73% take them all year round (iReach March 2018).

When Government policy is for citizens to live healthier lives, take more exercise and eat healthily, taking a decision to start actively penalising consumers who try to supplement their diet with products that promote good health is a backward and regressive step. This is a new tax on consumers as they have not been paying VAT on food supplement products since VAT was introduced in 1973, with the exception of bodybuilding and weight loss products since 2012.

Foods such as take way fast food, soft drinks and biscuits are not healthy and are taxed at 13.5% and 23%. Food supplements by their very nature are produced, sold and consumed to promote good health and so should not be treated as luxury items or unhealthy food.

We would therefore urge the Tax Strategy Group to recommend to the Minister to apply a zero vat rate for food supplements from a social, health and financial perspective. To make any other recommendation does not make sense on any level.

Yours truly

