

Fianna Fáil

VAT on Food Supplements

May 2019



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Introduction

The issue in relation to the VAT treatment of food supplements has been around for quite some time. There has been significant confusion in the past over what specific rate if any rate should be charged on certain items. Some items are considered food and therefore zero rated and some other items are not considered food and therefore a rate of 23% is applicable.

The issue received significant attention in the Oireachtas Finance Committee during the passage of the Finance Act 2018. At that stage the Minister for Finance indicated that he was prepared to allow the Tax Strategy Group to have a look at it. In the meantime, the Revenue Commissioners issued new guidance that had significant impacts on various food supplement products. This was to be made applicable from 1 March 2019.

This date was later pushed out to November to enable the review from the Tax Strategy Group to fully examine the issue and make recommendations. Fianna Fáil believes a zero per cent VAT rate should continue to be applied to all food items. Food is obviously an essential item for people and it simply does not make sense to tax it. Such a move would likely be regressive in nature and disproportionately impact the disadvantaged and those in poverty.

A zero per cent VAT rate is not specifically provided for in legislation for food supplements. Since 1972 it was a concession provided by the Revenue Commissioners. With the growth of food supplements, the zero-rate concession is becoming more and more untenable as it is not supported by legislation.

The problem is of course that Ireland, as a Member State of the European Union, is unable to add to those goods and services which were at a zero rate in January 1991 as to do so would be in contravention of EU rules.

Ideally food supplements should be charged at zero per cent. However, as Member State of the EU, Ireland needs to be cognisant of the EU rules prohibiting this from happening. Fianna Fáil believes that as part of the review on the VAT treatment of food supplements it needs to be determined conclusively that Ireland is unable to apply a zero per cent VAT rate on food supplements.

Question 1: Do you agree that the standard rate should apply all food supplement products?

Fianna Fáil does not believe that the standard rate of VAT should be applied to food supplements. Such a move would disproportionately impact the disadvantaged and those stuck in poverty. It would not yield a significant amount of money to the taxpayer meaning that there is little good that can be ascertained from applying a standard rate to food supplements.

Question 2: Do you agree that a reduced rate should be applied to all types of food supplement products?

Fianna Fáil believes that a reduced rate of 9% should be applied to all food supplement items. The benefits of this would be that the confusion would be entirely removed. Retailers would know exactly what rate to charge. In addition, we would be applying the lower 9% rate which is the most favourable VAT rate available under the EU rules.

Question 3: Do you agree that a reduced VAT rate should only apply to food supplement products that are recommended for intake by the Department of Health?

Fianna Fáil believes that this would only confusion over what is to be charged at the lower rate. In addition, pressure would mount on the Department of Health to recommend certain food supplements when they otherwise would not. There is a risk also that some items which are recommended in specific cases but would not be recommended in general would be charged at the standard rate of VAT.

Question 4: Do you agree that a reduced VAT rate should apply to food supplement products but that certain categories should be excluded?

This is like Question 3 above. This would serve to complicate the VAT treatment further. It is for this reason that all food supplements should be charged at the 9% lower VAT rate.

Conclusion

The issue surrounding the VAT treatment of certain types of food supplements has been around for a long time. If it were possible Fianna Fáil would apply a zero rate to all foods and food supplements. It does seem that to formally apply a zero per cent VAT rate in legislation on food supplements would be in contravention of EU rules on VAT. Given that it is not possible to apply a zero per cent rate to food supplements, Fianna Fáil believes that the reduced rate of 9% should be applied to all food supplement items.