

Goods and Services Tax (Exemption of Healthy Food) Amendment Bill

Member's Bill

Explanatory note

General policy statement

A growing body of government and independent research confirms the persistence of a high level of poverty and associated health and wellbeing effects in New Zealand, particularly for children. International research, including the recent OECD report *Doing Better for Children*, has also confirmed the high rates of child poverty, poor living conditions, and poor health status of children in low-income families in New Zealand.

Food prices have risen more than 20% in the last 3 years, while real incomes have risen only very slightly. Increases for the staples of a nutritious diet – such as fruit, vegetables, and milk – have been particularly high. In response to the long-term impacts this could have on public health, organisations such as the Public Health Association of New Zealand Inc and the Heart Foundation of New Zealand, have called for goods and services tax to be removed from foods that constitute a healthy diet to make them more affordable.

While all consumers will benefit from the removal of goods and services tax from healthy food, those on lower incomes spend a greater proportion of their income on food and will receive a significant benefit as a result. Research conducted both in New Zealand and

overseas shows that the lowering of the price of healthy food, including via the removal of taxes similar to goods and services tax, leads to a significant increase in the purchase of healthy food.

This Bill seeks to address rising food prices and the impact this has on the ability of those in low-income households to purchase healthy food by exempting this food from goods and services tax.

The definition of healthy food used in the Bill is based on the Ministry of Health's Food and Nutrition Guidelines.

Clause by clause analysis

Clause 1 is the Title clause.

Clause 2 is the commencement clause and provides that the Bill will come into force on the day after the date on which it receives the Royal assent.

Clause 3 provides that this Bill amends the Goods and Services Tax Act 1985 (the **principal Act**).

Clause 4 sets out the purposes of the Bill, which are to—

- exempt healthy food from goods and services tax;
- encourage the purchase of healthy food.

Clause 5 inserts a definition of “**healthy food**” into section 2(1).

Clause 6 amends section 14(1) by inserting new paragraph (ba), which provides that healthy food will be exempt from tax.

Rahui Katene

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(Exemption of Healthy Food)
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The Parliament of New Zealand enacts as follows:

- 1 Title**
This Act is the Goods and Services (Exemption of Healthy Food) Amendment Act **2010**.
- 2 Commencement**
This Act comes into force on the day after the date on which it receives the Royal assent. 5
- 3 Principal Act amended**
This Act amends the Goods and Services Tax Act 1985.

4 Purpose

The purposes of this Act are to—

- (a) exempt healthy food from goods and services tax:
- (b) encourage the purchase of healthy food.

5 Interpretation

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Section 2(1) is amended by inserting the following definition in its appropriate alphabetical order:

“**healthy food** means—

“(a) fruit and vegetables (including fresh, frozen, canned, and dried):

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“(b) breads and cereals (including all bread, grains, rice, and pasta):

“(c) milk and milk products (including cheese, yoghurt, and plain milk, but excluding ice cream, cream products, condensed, and flavoured milk):

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“(d) lean meat, poultry, seafood, eggs, nuts, seeds, and legumes”.

6 Exempt supplies

Section 14(1) is amended by inserting the following paragraph after paragraph (b):

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“(ba) the supply of healthy food:”.
