

The Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

15th November 2006

Dear Chancellor

VAT on healthier drinks

The Nutritional Standards for School Lunches and Other School Food, published by the School Food Trust on behalf of the Department of Education & Skills has set out the criteria to be met by schools when providing food and drink to children. This has been achieved with the aim of providing a healthier diet for children to help address, inter alia, obesity among the young.

However, time spent by children at school averages between just 30-35% of their waking hours over the course of a year; the remainder is spent at home or out and about during weekends and school holidays.

Longer term, it surely must be more effective to consider what children eat and drink during the remaining 65%+ of their time, during which they are either provided for by parents or buy for themselves when out of home.

At present The Treasury collects no VAT on food generally, but 17.5% on certain products like soft drinks. Under this category fall healthy drinks such as bottled water and fruit juices, alongside high sugar-sweetened fizzy drinks and drinks which are often dosed with artificial sweeteners, colours, preservatives and flavours. In other words there is discrimination against drinks which are now needed to support both the Government's "5-a-day" programme and its initiative to drive children away from unhealthy products.

In taxing company cars, the Treasury has successfully discriminated against owners of high emission vehicles and in favour of low emission vehicles. In the same vein, would it not be helpful to the Government's aim to improve young peoples' diet by positively discriminating in favour of healthier drinks such as bottled water and fruit juices in making them more affordable by removing the VAT so that they are pari passu with other general food products? If they were, parents would naturally be incentivised to buy these types of drinks in favour of colas and other less healthy products; and healthier drinks would be more affordable to young people out of home buying with their pocket money.

In the new Nutritional Standards The Treasury now has a ready-made set of criteria by which to determine those drinks which should be released from VAT on account of their "healthiness" and those that should remain taxed at 17.5%. These criteria are set out in Paragraph 6e of the final decisions on the Turning the Tables Report from the School Meals Review Panel, nameley "that the only other drinks that will be available will be:

- i) **water (still or sparkling)**
- ii) milk (skimmed or semi-skimmed)
- iii) **pure fruit juices**
- iv) yoghurt and milk drinks (with less than 5% added sugar)
- v) drinks made from combinations of i) to iv) above
- vi) low calorie hot chocolate
- vii) tea and coffee"

Those drinks appearing on **bold** currently carry VAT at 17.5%; the remainder are either not subject to VAT or zero rated. I urge you to consider this matter in your Budget next year.

Yours sincerely

Paul Bendit
Managing Director

cc Norman Baker MP