

STATES OF JERSEY

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GOODS AND SERVICES TAX: EXEMPTION OR ZERO-RATING FOR FOODSTUFFS AND DOMESTIC ENERGY (P.103/2008) – AMENDMENTS

**Lodged au Greffe on 26th August 2008
by Senator L. Norman**

STATES GREFFE

GOODS AND SERVICES TAX: EXEMPTION OR ZERO-RATING FOR FOODSTUFFS AND DOMESTIC ENERGY (P.103/2008): AMENDMENTS

1 PAGE 2, PARAGRAPH (a) –

In sub-paragraph (i) delete the words “in line with United Kingdom Value Added Tax arrangements as set out in the Appendix”.

2 PAGE 2, PARAGRAPH (a) –

In sub-paragraph (ii) delete the word “domestic” and after the word “energy” insert the words “and fuel”.

3 PAGE 2, PARAGRAPH (a) –

After sub-paragraph (ii) insert the following new sub-paragraphs –

“(iii) water; and

(iv) newspapers, books and magazines.”

SENATOR L. NORMAN

REPORT

I have always accepted that if we were introduce a Goods and Service Tax it should be done with a low rate which could be maintained for as long as possible. To achieve this it would be necessary to have an all-inclusive tax with no exemptions. This principle has been breached and therefore it is now appropriate to consider what other items should be exempted or zero-rated.

Foodstuffs

Foodstuffs is an obvious example, but I do not think it is appropriate to follow the UK model as proposed by the Deputy of Grouville because of the continuous wrangling of what is or is not zero-rated: i.e., when is a biscuit not a biscuit? By having all food zero-rated, there will be the absolute minimum possibility of confusion for importers, wholesalers, retailers and consumers alike – not to mention the Treasury.

I recognise that this exemption will also apply to animal foodstuffs, and I do not believe that this is unreasonable or inappropriate.

Water

If foodstuffs are to be exempt from GST because, as the Deputy of Grouville says, “people have to eat”, then a similar and equally compelling argument must apply even more so to water which is essential to life and health.

Energy and Fuel

I am recommending that the proposed exemption for domestic energy should be extended to all energy consumers, mainly because the electricity and gas supplied to some customers are used for both domestic and business purposes and therefore to tax only one component would be impossible to police. Equally, if Jersey’s economy is to continue to flourish, local businesses, most of which are small enterprises, need to remain competitive. This modest reduction in their overheads will assist in this aim.

Fuel has been included in my amendment to ensure that coal is also zero-rated which is only fair and reasonable if other sources of energy are to be so treated. It will also remove any doubt and confusion as to whether gas, for example, is “energy” or “fuel”.

Motor fuel will also be zero-rated under the amendment. In these times of volatile pump prices it is right that the States of Jersey act to reduce the impact on consumers in whatever way they reasonably can. It is almost obscene when one considers that every time there is an increase in oil price, then the Treasury receives more revenue in GST. A double whammy for the consumer. It is also totally inappropriate that the Treasury should place a tax on the Impôt Duty already attached to the pump price. Again, this move would help businesses which operate locally to remain competitive to the benefit of Jersey’s economy.

Newspaper, books and magazines

It can be argued that applying GST to these products is a tax on knowledge and information. It is difficult to disagree.

However, my main motivation in proposing the abolishing the tax on these items is to remove the anomaly which has been created in the price-marking Regulations. If GST is removed from food, these will be the only products which will currently be allowed to be priced net of GST and the tax charged at the till. The vast majority of newspapers, books and magazines (which do not attract VAT in the United Kingdom) are pre-priced by the publisher, and consumers can be unsure of the final amount they will have to spend when purchasing these items. This amendment will remove the potential for confusion by removing the anomaly.

Financial and manpower implications

I do not believe that there will be any manpower implications if these amendments are adopted and suggest that the anticipated revenue from GST in a full year will reduce by about £1 million. That is money which will remain with consumers to spend and thus help to stimulate the economy.

Bearing in mind that the Consolidated Fund is forecast to stand at £80 million by the end of 2009, having paid for the incinerator, the reduction in GST revenue is not significant.