

STATES OF JERSEY



DRAFT BUDGET STATEMENT 2015 (P.129/2014): THIRD AMENDMENT

Lodged au Greffe on 8th September 2014
by Deputy M. Tadier of St. Brelade

STATES GREFFE

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PAGE 2, PARAGRAPH (a) –

After the words “as set out in the Budget Statement” insert the words –

“except that the estimate of income from taxation during 2015 shall be reduced by £3,400,000 by exempting or zero-rating domestic energy from Goods and Services Tax from 1st January 2015.”.

DEPUTY M. TADIER OF ST. BRELADE

REPORT

Below, I have listed a number of reasons that I believe this amendment should be adopted. However, before I do so, I would like to introduce some overarching introductory comments.

I have never supported GST in its current manifestation, without general exemptions for basic items. In 2007/8 I campaigned against it along with many others, because I believed it to be regressive and I still do. For me, it is wrong to tax life's essentials, (especially in the absence of satisfactory redistributive measures). And domestic energy, whether used for heating, lighting or cooking *is* an essential commodity in the modern world. If a Goods and Service Tax has a place, at all, it should be on *non-essential*, even *luxury* goods and services.

Before listing exactly *why* members should support this, I would like to counter a couple of potential criticisms.

The first is: *Why only domestic fuel?* Why not remove it from food? This is a fair question. GST should never have been put on food, books and children's clothing. And I will continue to support its removal, **on principle**, if ever it is proposed. However, in my heart of hearts, I cannot be fully convinced that it would necessarily be removed from food – not from all retailers, at least. However, with regard to domestic fuel, we can be fairly certain it *will* be removed.

The second is the argument: *why should we be exempting GST for fuel to allow wealthy people to heat their swimming pools?* To which the answer has to be, if you have a problem with wealthy people – tax them more. If you have a problem with people with swimming pools, bring in a swimming pool tax (which increases by water capacity) – but do not penalise those of more modest means as a blunt tool to tax the wealthy.

So why is it right to support this amendment?

- (1) It will assist many with the **affordability of energy bills** and offset some of the price rises that have recently been announced, alleviating potential hardship for many. For example, we know that Jersey Gas has announced an increase of 2.9 in its tariffs as of 12th September 2014. The increase has been blamed on 'below average gas consumption as a direct result of warmer than average weather' according to the Group Managing Director of parent company International Energy Group. Presumably, if there is a 'colder than average winter with above average gas consumption' then gas prices will come down again. *What do we reckon?*
- (2) There are currently **no minimum standards of accommodation** in Jersey. A piece of work is pending in relation to this, but many properties, especially in the rental sector – and still many units of social rented – do not meet reasonable standards of insulation and energy efficiency. Until this has been rectified, the States should keep its side of the bargain before taxing domestic fuel which is used, in the most part, to heat sub-standard accommodation.
- (3) It will **put more money back into the economy**, as some people – especially those with swimming pools – are likely to spend some of the money saved on other purchases, on which GST *will* be charged.

- (4) It should never have been put on fuel in the first place. Many of us believe strongly that **it is wrong to tax life's basics**, be it food or, in this case, heating and lighting. This is a timely chance for us to affirm that belief, which is also the view of the majority of the public.

Lastly, the exempting of domestic energy for the purposes of GST need not be done in perpetuity. Once the economy is back in full recovery and properties in Jersey are made more energy-efficient, it may be considered appropriate to reinstate GST on domestic fuel. However, in the meantime, an exemption/zero-rating will help people in a tangible way.

Financial and manpower implications

Figures given to me by the Taxes Office indicate that this amendment will reduce the income from GST in 2015 by a total of £3,400,000, which is broken down as follows –

	£
Electricity	1,800,000
Gas	300,000
Oil	1,100,000
Coal	200,000
All domestic fuel	3,400,000