

STATES OF JERSEY

OFFICIAL REPORT

WEDNESDAY, 10th SEPTEMBER 2008

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The Roll was called and the Dean led the Assembly in Prayer.

PUBLIC BUSINESS - resumption

Deputy J.A.N. Le Fondré of St. Lawrence:

Just a query, Sir, because I have been asked again by certain Members in relation to P.138 and I would like some advice from the Chair, from yourself, or whether we put a formal proposition to Members just to clarify it. I have been asked by Members whether it is possible to bring forward my proposition P.138 within its lodging period by a week to today or this week to knock this G.S.T. (Goods and Services Tax) story on its head once and for all. I am in the hands of the Assembly on that matter, Sir. I am happy to have it either way but I have been asked a number of times, and I said I would put the question to the Assembly. In relation to Standing Orders there seems to be either one of 2 ways of doing it. One is to lift Standing Orders and bring them forward. Alternatively, Sir, the only reason for reducing a lodging period is, as I understand it, if it would be prejudicial to the Island of Jersey. I think it is. There is an argument that in the event of my proposition being accepted that there would be a lot of people who could benefit from that proposition and timing is quite critical on that. The earlier one did it. You could get it in before Christmas for the low income support and for the G.S.T. rebate and that would be in the interests of quite a large proportion of the Island, and I would like to raise the matter with you, Sir.

The Greffier of the States (in the Chair):

Well, ultimately everything is a matter for the Assembly, Deputy, but I think all I can say from the Chair is you yourself have alluded to the ... I do not think it is possible to suspend Standing Orders because in this context there is simply nothing to rely on. Standing Orders set out lodging periods, et cetera. If one suspended the lot there is simply nothing to go on, so I think there is a specific provision in Standing Orders which I know the Bailiff quoted yesterday in relation to the amendment of Deputy Pitman which does say the States may reduce a minimum lodging period if they are of the opinion the proposition relates to a matter of such urgency and importance that it would be prejudicial to Jersey to delay its debate. It would be a matter for Members to make a judgment on that. Perhaps the only other thing I can say from the Chair is the matter is not listed for this week; Members presumably may not even have it with them or be prepared to debate it. Also I think the discussion is somewhat hypothetical as my understanding is you will withdraw the proposition if P.103 were to be adopted. Are we rather not jumping ahead to be having these discussions at this time?

Deputy J.A.N. Le Fondré:

I certainly take the point, but it was a request that was put to me by Members and I said I would raise it through the Chair, Sir.

The Greffier of the States (in the Chair):

I think we will have to address that when P.103 has been debated, Deputy. Let us press on with P.103.

Connétable G.W. Fisher of St. Lawrence:

Before we start on P.103, I expect to be going to Owen Wiscombe's funeral this morning and leaving here at 10.30 a.m. Owen Wiscombe was a parishioner of mine and he was a great support both to me and to the parish. Accordingly, I have 5 projects of which I am the rapporteur, which we may get to. It is unlikely we will get to them this morning if the debate goes as one would expect it to, but it is possible that they will come forward this morning. I would beg the indulgence of the Assembly that P.117, P.118, P.120, P.121 and P.123 be deferred until after lunch if they come up on the agenda before that, if we get through P.103 prematurely. So could I ask the Assembly if they would agree to do that? Thank you, Sir.

The Greffier of the States (in the Chair):

I am sure Members will make that optimistic agreement, Connétable. Very well, I will ask the Deputy Greffier to read the proposition of the Deputy of Grouville.

1. Goods and Services Tax: exemption or zero-rating for foodstuffs and domestic energy (P.103/2008)

The Deputy Greffier of the States:

The States are asked to decide whether they are of opinion (a) to refer to their Act dated 13th May 2005 in which they approved the introduction of a broad-based Goods and Services Tax at a rate of 3 per cent fixed for 3 years and to their Act dated 18th April 2007 in which they approved the draft Goods and Services Tax (Jersey) Law 200- and to agree to vary those decisions in order to exempt or zero-rate the following items: (1) foodstuffs in line with the United Kingdom Value Added Tax arrangements as set out in the appendix and (2) domestic energy, and to request the Minister for Treasury and Resources to bring forward for approval the necessary legislation to give effect to the decision, and (b) to request the Minister for Treasury and Resources to bring forward for approval progressive taxation measures to restore the revenue foregone under paragraph (a).

1.1 Deputy C.F. Labey of Grouville:

I have brought my proposition to the States Assembly today for 2 reasons: first, because Islanders, our community, are suffering from the enormous increase in food and fuel prices, and second to bring it forward now might focus Members' minds on the public they serve. The Council of Ministers, all bar one I believe, have recently stated that they are now minded to support part of my proposition because of the sudden unprecedented rise in prices. Sir, I am grateful for their support but I do not accept these rises are sudden. Other States Members, not just me, have been warning this Assembly for some time now of the increase in oil prices and subsequent knock-on effects it will have on food, other energy sources and, indeed, the value of agricultural land prices. It is not unexpected either and anyone who reads newspapers or books on the subject will know American oil peaked in 1970. World oil is predicted to have peaked between 2005 and 2014. Oil hit an all-time high in July of 147 dollars a barrel and yesterday it dropped back down as it is going to do; as it is going to fluctuate to 100 dollars a barrel. This downturn in oil prices is largely driven by what is known as "demand destruction": the reduced demand for oil prices at times of economic downturn. But when and if global economic growth is to resume following the present recession elsewhere the growing demand for oil will rapidly outstrip diminishing supplies. Oil prices have increased by 400 per cent since 2001. The world has now turned the corner and the long era of cheap oil and therefore cheap food is over. I therefore welcome the Council of Ministers' recent announcement of their intention to support my proposition on food exemptions. It demonstrates a government prepared to listen, help and importantly take the people with them. I sincerely hope as well that other Members who have in the past voted against exemptions will today rethink their position. I am disappointed, though, that the Council of Ministers is suggesting that they will not support my proposition to exempt domestic energy. I would hope, however, that they come to this debate with an open mind, listen to the reasons why I am proposing exempting domestic energy, and do some thinking for themselves as individual Members. After all, we have to remind ourselves what we are doing all of this for. We should be doing what is best for: the consumer; the Islanders; what is best for business; the retailers; what is best for the Island to raise enough revenue to maintain our services; and what is best for the environment. Shortly we will be moving on to debate Senator Norman's amendments. I am anxious not to repeat many of the arguments that might come out during that debate, so I shall try and keep my present comments simple. My proposition to bring forward exemptions on foodstuffs in line with the United Kingdom Value Added Tax arrangements will, believe it or not, be the easiest, cheapest and quickest means to implement exemptions on food. Now, I appreciate anyone reading the appendix on my proposition could be forgiven for thinking otherwise but that is written, I am afraid, in legal-speak; there is an industry made from it. Whatever exemptions are brought forward, even exempting all foodstuffs as Senator Norman proposes to do, will have a similar appendix attached to it written and phrased in

the same legal jargon which will not look an awful lot different to my appendix. My exemption proposals are easiest, cheapest and quickest because the U.K. (United Kingdom) system already exists and can be replicated here by installing the relevant software directly from the U.K. and applying those systems to food, the majority of which is also imported from the U.K. Now, I am not one for automatically, slavishly looking to the United Kingdom for everything without a second thought but in this case it is the logical thing to do. Retailers buy their products from the U.K.'s national buying groups who tell them which items carry tax and which do not and our 3 per cent G.S.T. will simply be applied instead of 17.5 V.A.T. (Value Added Tax). The old arguments and court cases about jaffa cakes and everything else cited in these kind of debates have been had, and if they have not they are being had, but in the U.K. - Jersey simply follows the outcome. Exempting healthy foods was a nice idea and one day might still be achieved but not in the immediate future, and it would be fraught with difficulties for the retailer. An example of this is that cereals are healthy foods but Coco Pops and Sugared Shreddies are not. If Jersey went down this avenue they would be importing food from the U.K. yet having to define and devise in an exact way uniquely for Jersey what constitutes a healthy product and it would be, I suggest, fraught with difficulties which would take time and more money but people are struggling now. An argument States Members will have repeatedly heard over the summer months from a member of the public is that a department of 10 or more civil servants will have to be employed to administer these exemptions. I say: "Why 10?" Where did that figure come from? As the Corporate Scrutiny Panel recognised some time ago that argument was completely overstated. I notice too in a report which Deputy Le Fondré proposes that he attributes a figure of £300,000 to the administrative costs if more exemptions are introduced. There are 3 major retailers in this Island. Their staff complete their shops' G.S.T. declarations compiled from a computerised till receipt. They then submit the cheque to the Treasury based on their records and based on trust. So the retailers are writing out a cheque to the Treasury. They are not employing more staff if exemptions are introduced, so why on earth did the Treasury have to employ more staff to bank the cheque? If the retailers who will be inconvenienced at this time can do it relatively easily, why cannot the Treasury? I think this is a completely overplayed scenario. But retailers at least recognise that this measure is for the overall good of their consumer and have publicly stated that exempting food is for the overall good of their customers and, as most have told me, tax on food should never have been allowed to happen in the first place and that is the fundamental argument of my proposition. I will touch on Deputy Le Fondré's proposition if I may during my speech here because I feel a lot of Members will be looking to it for the answer to all the ills. I do not think that it is a responsible government to do nothing to help its community at this time that is facing huge cost of living increases, especially when the Government is now adding to that burden. I do not share the same attitude as some that the low income support is going to be the panacea of all their ills. Many Jersey people are proud, want to pay their way, do not live on credit and struggle to pay their bills. They do not want to fill out a 26-page document and come cap in hand to government. They do not want to be put in that state in the first place. Now, how many States Members can appreciate and understand that? If the arguments of more civil servants are going to be incorrectly, in my opinion, used against G.S.T. exemptions, then why are those same arguments not being used for the increase in civil servants that it is going to require for the oversubscribed low-income support claims? With regard to tax allowances, are these going to keep pace with 13 per cent cost of living on food; 26 per cent on domestic energy? No, of course they are not. So people will struggle more and more while the Government continues to take its cut. I for one do not think this is right. One threat that I really hope we are not going to hear, and I was encouraged by the Minister for Treasury and Resources' announcement on Monday that if exemptions are introduced at this point, the general G.S.T. rate is not going to go up beyond 3 per cent for the 3 years as has previously been promised. Luckily our Minister for Treasury and Resources, Senator Le Sueur, has been just as a Minister for Treasury and Resources should be, and that is prudent, perhaps a little bit too prudent as the revenue derived from G.S.T. so far has exceeded predictions by £5-10 million. As the original forecasts were based on 2004 economic figures I have no reason to believe the revenue for subsequent years to date will

not be equally as good. Therefore, if any unfounded arguments to claim the 3 per cent rate will have to go up sooner than expected if exemptions are introduced, I would suggest Members regard these as scare tactics as the facts have shown these arguments to be utterly redundant. I for one would not accept a rise in G.S.T. rate until Treasury come forward with the frequently promised other tax measures to contribute to making up the Zero/Ten deficit; measures of finding ways to tax foreign-owned companies trading in Jersey as an example. As for the timescale that the Council of Ministers have come up with, I am sorry but I do not accept we have to make the public wait until the spring because the wheels of bureaucracy cannot get its act together, especially when the largest food retailer in the Channel Islands has confirmed his company could make the necessary changes in 6 to 8 weeks. In other words, our community could benefit in a few weeks and in time for Christmas, the most expensive time of year. I am disappointed that the Council of Ministers has indicated they will not support domestic energy being exempt of G.S.T. As I say, people have to eat and they have to heat their homes. We should not regard being able to stay warm in our homes and having warm water to wash with as a privilege in a civilised community. The Council of Ministers is proposing increasing winter fuel payments by 20 per cent. I would like to point out that this proposed winter fuel payment will not even compensate for the inflation in fuel prices of 26 per cent over the last 12 months alone. But it is not just people receiving winter fuel allowance who are suffering. Many people who thus far have not necessarily been in need of direct support or who do not already receive a winter fuel allowance are nonetheless struggling. People who live above the support limits, who work hard, pay exorbitant mortgages on the average 3-bedroomed house valued at half a million, or huge rents, bringing up children and paying tax are struggling in Jersey, and the Council of Ministers should recognise that to place a tax on top of what is already a 26 per cent rise in costs for people trying to heat their homes to keep themselves and their children warm is wrong. It is immoral. It is about to get worse. Jersey Electricity announced last month that electricity is set to increase in price by an immense 25 per cent next year. Are tax allowances going to keep pace with this? No. It is noticeable that the best argument that the Council of Ministers can come up with for not exempting domestic energy is that people in large houses with swimming pools might benefit from this change. Is that really a valid argument or sufficient reason for making everybody else, the great majority, suffer? I think not and nor will the great majority of Jersey people. I have read the other proposals that the Council of Ministers is minded to bring forward in the budget such as freezing tax on fuel duty, improving the bus service and introducing grants and energy efficiencies in the home, all of which are very good ideas, but there is no reason, given our economic success, why these cannot go ahead anyway. I am going to leave it there, Sir, and I look forward to people's comments and I make my proposition.

The Greffier of the States (in the Chair):

Is the proposition seconded? [**Seconded**] Now there are a number of amendments to the proposition that we must deal with at this stage. Having discussed the matter with Senator Norman, it appears it will lead to a much more structured debate if his 3 amendments are taken separately and I therefore invite the Greffier to read amendment number 1.

2. Goods and Services Tax: exemption or zero-rating for foodstuffs and domestic energy - amendments (P.103/2008) - amendment 1

The Deputy Greffier of the States:

Number 1, page 2, paragraph (a)(1) delete the words: "In line with the United Kingdom Value Added Tax Arrangements as set out in the appendix."

2.1 Senator L. Norman:

I feel, and I think many other Members feel, badly let down by the Council of Ministers over the G.S.T. debacle. [**Approbation**] It is true and others in this Chamber, albeit in the minority, are opposed to the introduction of this tax at all because of its regressive nature, its inflationary impact and because there is not really a need for it anyway except to fund the tax and spend plans of the

current Council of Ministers. Indeed, it is even driving more people into welfare, or income support, as we now call it, otherwise why would there be the need for the increased budgets for income support being proposed? But, Sir, even though I opposed the introduction of G.S.T., when it became a reality I did support the Council of Ministers when they said they wanted a simple tax with few or no exemptions. I was convinced by their argument that if we had to have this tax then it should be as low as possible for as long as possible and the way to do it was few exemptions. But now both of these principles, simplicity and exemptions, have been long abandoned. Exemptions were created almost daily at one point and the concept of simplicity has completely been abandoned indicated by the support for this amendment today. In their comments on my amendment, the Council of Ministers say quite rightly that the U.K. system of V.A.T. is regarded as the worst and most complex scheme in the world; not just Europe, in the world. Yet, this is the scheme that the Deputy of Grouville proposes and the Council of Ministers is prepared to accept. The worst and most complex scheme in the world is what the Council of Ministers wants us to adopt. They also say that the U.K. scheme is expensive to administer. Not my words; these are the words of the Council of Ministers in their comments. But they want to adopt it. The world, or at least this little part of it, has gone mad. To quote an oft-used phrase of Senator Syvret: "You really could not make it up." My amendment gives us the opportunity to achieve what the Deputy of Grouville wants to achieve: exemptions on food, but also to reclaim some of that simplicity by exempting all food, not just some food, which will be the case if we adopt the U.K. model of V.A.T. arrangements which it is quite clear if we do that we would be entering a bureaucratic nightmare. Now, the Deputy spoke about her report and the 2 and a half page appendix attached to it which she said sounds complicated but is not really. Sir, I do not know if that particular bit of information is out of date or simply is a précis of the reality of the complication but I also printed out the V.A.T. notice on food exemptions and that comes to 24 pages. I did not bother to print out the other 4 notices supplementary to this one to explain some of the items in this notice - well, I ran out of paper - but its advice and instructions which will have to be absorbed and understood by food producers, manufacturers, wholesalers, distributors and, of course, the consumer might want to know a bit about it as well. Now just to give a few examples of some of the complexities which the Deputy wishes to take us into, supported by the Council of Ministers. We are told that the retailer will always have the standard-rate ice cream but zero-rate of frozen yoghurt. We are told that live animals will be standard-rated if of a species generally used for human consumption. I was quite amused to read in one of the other notes that if you go and buy a pet cat you will have to pay V.A.T. or G.S.T. but if you buy a pet rabbit you will not because rabbits can be eaten, whereas it is unlikely that we would eat cats except in an absolute emergency. **[Laughter]** Fish, live fish, are zero-rated unless it is fish for bait. So when you go to the fish market, if you are a fisherman, you will have to explain that you not buying it for consumption but for bait and will have to pay the G.S.T. on it. Fruit, of course, is zero-rated but beverages made from fruit are not. Interesting question: an orange is free of tax but if you have freshly squeezed oranges as a drink then you have to pay the tax on it. Nuts - a very interesting one. **[Laughter]** Nuts are zero-rated if raw and unprocessed for human consumption, also roasted or salted nuts in their shells; that is zero-rated. But if they are shelled and either roasted or salted, then they became standard-rated. This is a simple system. Salt; zero-rated for culinary use but for non-culinary use standard-rated. You have to tell the retailer what you are buying the salt for. Another interesting one: sandwiches. Sandwiches as a general grocery item are zero-rated. Sandwiches as part of a party or buffet service; standard-rated. So when you go to your supermarket to buy the sandwiches, better be careful that these are for your own consumption and you are not having a few friends around to eat them with you because that might be considered a party and therefore taxable. Bread and bread products such as rolls, baps and pita bread, zero-rated, but the same products supplied as part of a hot takeaway meal are standard-rated. More confusion. Chocolate chips, leaves and scrolls; zero-rated. Chocolate buttons; standard-rated. The famous jaffa cakes now, after the court case, zero-rated but gingerbread men decorated with chocolate, unless this amounts to no more than a couple of dots for eyes, are standard-rated. Biscuits coated with caramel are zero-rated. Ice cream wafers

covered in caramel; standard-rated. Hot food - this is one we really need to take note of. Many bakery products, particularly pies, pasties and other savouries are baked on the retail premises and are sold while hot. If you sell products that are hot simply because they are freshly baked with no intention of supplying them to be eaten while hot they can be zero-rated. However, if you sell hot food specifically for consumption while still hot then this is supply in the course of catering and standard-rated. The borderline between freshly-baked and hot takeaway food can be a difficult one and if you sell any hot food you are advised to read Notice 709/1, Catering and Takeaway Food which sets out the distinction in more detail: "If you are still in any doubt contact our National Advice Service." **[Laughter]** This is what we are being asked to adopt, make no mistake about it. Zero-rated cream gateau but ice cream gateau is standard-rated. Frozen yoghurt which needs to be thawed completely before it can be eaten is zero-rated; frozen yoghurt is standard-rated. I could go on for ever. But let us look at this one: liqueur chocolates. Liqueur chocolates are standard-rated; rum babas are zero-rated. **[Laughter]** I am sorry, I am enjoying this. Prawn crackers made from tapioca are zero-rated; prawn crackers made from cereals are standard-rated. Yes, it is funny, is it not? But that is what we are going to have in place in this Island if this amendment supported by the Council of Ministers gets adopted. We are really, really heading for a nightmare. **[Approval]** I agree, exempt food, but please let us exempt all food. We do not need all these huge complications. There is a line in here in one of these notices which I wrote down and it describes it almost perfectly: "A product is food if the average person knowing what it is and how it is used will consider it to be food and it is fit for consumption." That is all we need to do. That is all. Not 200-odd pages of nonsensical notes of what is and what is not exempt. The Deputy implied that the V.A.T. rules in the U.K. were now settled and everybody knew what products were standard-rated and which were zero-rated. I am afraid that is not the case. The tribunals are meeting weekly, court cases go on, the Government has to make refunds and if the retailer loses he has to pay them all back. It really is absolutely shambolic and the lawyers are absolutely loving it. Sir, when we introduced G.S.T. we promised to keep it simple. My amendment invites the States to keep that promise. I make the amendment, Sir.

The Greffier of the States (in the Chair):

Is the amendment seconded? **[Seconded]** Could I perhaps just say from the Chair before I open the debate just to clarify it, I do urge Members to stick to the narrow point at this point in the debate which is whether food, if it were to be exempted, should be all food in accordance with Senator Norman's amendment or in line with the U.K. arrangements. The debate at this stage is not on the fundamental principle of whether food should or should not be zero-rated, it is just if it is, in which way.

2.1.1 Deputy J.A.N. Le Fondré:

I do have to say I was very disappointed with Senator Norman's speech. The reason I was very disappointed is he did not bring any samples with him as I did last time around in November, Sir, when we were having this discussion. Anyway, apart from that, Sir, I will read the words in my original speech which was going to be exceptionally short at this point and it went: "At this stage in the debate, ignoring the second and third parts of this amendment, we have 2 choices: support U.K.-style food exemptions or support total exemption of food." The latter, and I emphasise at this stage in the debate, is a lot simpler, the compliance issues are a lot less and I think we should be supporting this amendment but I do note I will also be talking on the main proposition when we get there, Sir. Unfortunately, I then received the comments from the Council of Ministers and to say that words failed me might possibly be stretching matters, but I do consider these comments on the main proposition and then on Senator Norman's amendments to be conflicting, illogical and, to use some of the favourite words from previous Assemblies, often Senator Norman, complete twaddle. I have some remarks to make about the Council of Ministers' comments on this amendment but I do have a degree of sympathy, or I feel slightly sorry for the Council of Ministers, because I think they have boxed themselves into a corner on this matter and I think possibly they are now torn in a

number of directions; I do not know. But I am going to make a suggestion; I will make it now, they will not probably like it, but perhaps what they should do is leave the matters in the hands of this Assembly to decide once and for all what we are going to do on G.S.T. Perhaps I will leave it to them to discuss, maybe they should abstain on the main proposition and on the amendments and leave it in the hands of the Assembly to make a decision. I float that as an idea. Anyway, to go back to the comments of the Council of Ministers because, as I said, I think they are conflicting, if you look at paragraph 2, and we have heard this to an extent already, when the public were originally consulted on G.S.T. as part of the fiscal strategy they wanted a simple system, a single low rate and few exemptions which would be cheap to administer. Yet, as we have heard, they are opposing this amendment and supporting U.K. V.A.T.-style rules. I am not going to go into a full reminder of the run through that we have just had from Senator Norman because they are ludicrous and they go down to the extent, as we have heard, a difference between a plain digestive biscuit and a chocolate digestive biscuit. I find it very odd they then carry on to say: "This amendment would do the exact opposite of what the public said they wanted and also bring Jersey's G.S.T. very close to the U.K. V.A.T. of supplies" which, as we have heard, is regarded as the worst and most complex V.A.T./G.S.T. scheme in the world and I make no apologies for repeating that remark. Because how on earth can someone say this on this amendment, support the original proposition for U.K. V.A.T. rules and expect us to maintain a straight face? Because bear in mind that they go on to say that all exclusions approved by the States to date have followed international best practice and have mainly been provided by way of exemption for domestic services. This is their words: "The current Jersey G.S.T. system is still to be within the definition of a good, simple consumption tax." It then talks about if you start getting into exemptions, tax preferences reduce revenue, increase complexity and increase compliance risks the end result is an increase in compliance burden for businesses and administrative costs for government, yet the Ministers are accepting the main principles of P.103. They then summarise their points: "They are an ineffective mechanism for making G.S.T. more progressive, i.e. they will assist the wealthy more than the poor." Now, Members may have noted the comments by the Ministers about the Deputy of Grouville's proposition regarding fuel used for heating swimming pools and things like that and therefore benefiting the rich, and they object to that. Yet it has already been demonstrated that exempting G.S.T. on food will also benefit the better off more than the less well off. So logically surely exempting all food is going to follow the same profile as exempting food under U.K. rules: similar profile, larger numbers. So, if exempting all food is an inefficient mechanism then the main part of P.103 is in itself inefficient and that part is what the Council of Ministers is supporting. I think there is a huge amount of contradiction and double standards in these comments and I have to say in the stance of the Council of Ministers. The summary criticising the amendment continues. They leapfrog the U.K.'s extensive, complex and administratively expensive zero-ratings, previously regarded as the worst implementation of V.A.T./G.S.T. in the world, yet P.103, the main proposition, specifically requires us to adopt that system. The other criticism of Senator Norman's comments are they propose zero-ratings for pet food, fizzy drinks, sweets and crisps. Well, that does imply that the main part of P.103 does not exempt pet food yet, and to an extent it has been referred to, the U.K. V.A.T. rules would capture pet shops and garden centres as well. As we have heard, pet food is taxable, rabbit food is zero-rated but guinea pig food is taxable. We get on to bedding, hay and straw: what is it used for? It gets hideously complicated. I will not comment on fizzy drinks and the comments on sweets may well be correct, except for the fact that cakes are already zero-rated. So for goodness sake, on this amendment do not try to claim at 3 per cent this amendment is going to be significantly more unhealthy than P.103, especially when Pringles are exempt but crisps are not, and one of the reasons is that they have less potato than normal crisps, and that really does sound healthy to me. The final claim is that this amendment will significantly increase the administration costs and the compliance burden of business and, again, I really do think we should take these comments with a rather large pinch of salt. I spoke directly to the G.S.T. Department before these comments were lodged as I was trying to assess the impact. The compliance costs to the States and therefore to the taxpayer will be less than for U.K. V.A.T. rules.

It is simply a case of identifying whether something is food or not and I do understand that there are elements of existing Jersey law which assist in that process. So the comment I have been given, Sir, is that compliance costs to the States will still be significant but they will be less than for U.K. V.A.T. rules. The compliance costs to local business will be significantly less and therefore I have to say I find it astonishing to find these statements in these comments. On that basis, Sir, I will be supporting this amendment by Senator Norman on food at this stage in the process. I do have to say, just to save doing separate speeches, I am not intending to support any of the other amendments. To take G.S.T. off petrol to me is counterintuitive given traffic, and I will not be standing up when we get to books and magazines, you will be relieved to know, and holding up a copy of the *Sunday Sport* again and asking whether this is educational material or not. I have to say I think on those ones Senator Norman's comments are a little more spurious especially when we do have at least one store over here which sells books and magazines which is not charging G.S.T.; it is just absorbing it and is therefore giving consumers the choice. So, therefore, Sir, at this stage, I will be supporting the first part of this amendment. At this stage in the debate I think it is the best option in front of us. I will be speaking on other choices when we get back to the main proposition but this amendment is the best choice thus far, contrary to where I would have to say on the somewhat confused, and I will even say befuddled, comments from the Council of Ministers, the compliance costs will be less for the States, they will be significantly less for business and I do urge Members to support part 1 of this amendment that we are debating now but none of the others, Sir. Thank you.

2.1.2 Deputy G.P. Southern of St. Helier:

Yes, 2 speeches to the same end: one, Senator Norman's, quite entertainingly, one less so, but both reaching the same conclusion. Very entertaining though it was, one has to ask why was it so entertaining to draw the comparison between a rum baba and an ordinary chocolate liqueur is quite amusing. But it is there on page whatever of however many pages because it is the U.K. system. Now, just think for a moment where do we import almost all of our food products from? It does not take very long to discover the answer: "Oh yes, why, the U.K." Around about 95 per cent from the U.K. To adopt the U.K. system then makes total sense. It might be the worst system in the world; it might very well be the worst system in the world but it is their problem. They have had the court cases, they have the endless reams of paper which clearly define everything. They have done the work, they have been doing it for the last 30 years, so it is simple to adopt for us. As Senator Norman suggested and if you have a problem with what is food and what is not food: "Phone up our office." Our compliance officer can do that as well. The manager of the Co-operative, should he have a problem, can phone up as well. It is not hard to do. Think of the alternative. So we adopt Senator Norman's amendment, what do we end up with? Yes, about 30, 40 plus years of court cases, of nitpicking, of companies taking what is food and what is not food, we end up with that problem absolutely. That is what will happen if we end up adopting Senator Norman's proposal. So, yes, there is an administration burden and, yes, there are compliance costs, and the U.K. have shouldered that burden; they have the army of civil servants and they sort things out. For us to do anything else and go our own way, the Jersey way, I am afraid will be a very, very expensive and time-consuming mistake.

2.1.3 Senator B.E. Shenton (The Minister for Health and Social Services):

I would like to make it quite clear to the House that exempting food based on the V.A.T. system is not complicated at all and perhaps Senator Norman in his summing up could explain how under his system - he raised a number of points - he would differentiate between a rabbit purchased for consumption and a rabbit purchased as a pet; whether he would have to start writing out rules on salt purchased for consumption and dishwasher salt; whether he would have to start writing out rules on chocolate lollies and chocolate lip balm. Then he made a big laugh about zero-rated on takeaways and so on and so forth, and how ludicrous it is how you get a hot meal that may be rated and may not be rated. Well, the U.K. have done all the work for us on this. Senator Norman seems

to think that any food will be zero-rated, so one could push that to the extreme and say any food in a restaurant or café would be zero-rated. So what he is doing ...

Deputy J.A.N. Le Fondré:

Just to assist the Senator: 2 questions. I believe the Senator is still related to the Co-operative and has not made a declaration of interest but I will make my second point first, Sir. The second point, Sir, is that there is legislation over here that identifies cafés and restaurants for licensing purposes ...

Senator S. Syvret:

This seems to me very much like a second speech.

Deputy J.A.N. Le Fondré:

No, I am making a clarification, Sir.

Senator S. Syvret:

Is that going to be the order of play throughout this debate?

Deputy J.A.N. Le Fondré:

The Senator said that it is difficult to distinguish between food served in a café and food served in a retail shop.

The Greffier of the States (in the Chair):

This is getting very dangerously near a second speech.

Deputy J.A.N. Le Fondré:

Okay, Sir. Just to say that the legislation assists that matter and that is it.

Senator S. Syvret:

I am going to make 2 speeches in every debate as well then.

Senator B.E. Shenton:

So what the Deputy is saying is that there is legislation in place. We would have to write even more legislation to differentiate between whether you take your fish and chips out of the restaurant or not and so on and so forth. The whole point of going with the U.K. system is because the work has already been done and it is not complicated at all. People can stand up and make fun of the various rules but these have been developed over years and years and years. It is not complicated. The only reason that this House would not exempt food under the G.S.T. system is because it does not want to. That would be the only reason that we did not do that. The other thing, as Minister for Health and Social Services obviously, there is a certain advantage to the U.K. system because it does not exempt some of the more luxury goods. Senator Norman seems to want to exempt luxury goods. Let us make it quite clear that ice cream, ice lollies, frozen yoghurt, water ices would not be zero-rated, confectionery would not be zero-rated, beverages charged with any duty of excise specifically charged on spirits, beer and wine will not be zero-rated. Potato crisps, potato sticks and so on would not be zero-rated. The work has been done. Sixty million people in the U.K. can get their head around it; I do not know why Senator Norman cannot. It is quite straightforward, but if he could answer how we are going to differentiate between food and non-food items without having a whole load of rules to rewrite and then challenges in the local courts and court cases and so on and so forth. This is a well meaning amendment but quite frankly it is utterly flawed and we should go with the Deputy of Grouville's proposition and stick with something that is easy for the public and easy for the retailers.

2.1.4 Deputy G.C.L. Baudains of St. Clement:

As a consumer of food I had thought of declaring an interest and maybe by the end of this debate I will wish I had. Certainly, Sir, having listened to some of the speeches so far I may wish that G.S.T. was removed from drink. **[Laughter]** The other observation I would make, Sir, is my amazement at the speed of the conversion of Senator Shenton to the Ministerial fold. I was concerned, Sir, by the Deputy of Grouville's assertion that retailers will manage this change relatively easily, because I have to ask what analysis has been done regarding the administrative costs to businesses of her suggestion. We did, I recall, completely underestimate the workload that G.S.T. itself when introduced would cause retailers generally. It has been a nightmare to the smaller retailers, indeed, some businesses have closed as a result of the administrative burden. Sir, while many agree that food should not be taxed, what is gained if the extra work involved in this measure will cause some retailers - and the idea that it is just a software issue is complete nonsense - what is gained if the administrative cost outweighs the tax saving? It does appear, Sir, some do not understand, for example, that the 3 per cent tax costs business far more, perhaps nearer 10 per cent, because there is not only the extra work and extra accounting but the overheads: the electricity, transport and all the other overheads rise as well because of the new tax. I do fear, Sir, that the work and complexity which was referred to by Senator Norman in his opening speech, the complexity of introducing the exemptions the Deputy of Grouville wishes to introduce, may well cause food prices to increase as the retailers' administration costs replaces or even exceed the previous 3 per cent tax. Like Senator Norman, Sir, I have always opposed Goods and Services Tax and I am not minded to accept the G.S.T. in any form. That said, the amendment in my view improves a bad situation. It moves it slightly up the scale to perhaps less bad and in that regard I feel I will be able to support the amendment.

2.1.5 Deputy K.C. Lewis of St. Saviour:

I will be speaking in the main debate, Sir, so I will be very brief. I would just like to congratulate Senator Norman on bringing these amendments, and as Members have often said: "Keep it simple." My opinion on road taxes is well known: the more you have tax on fuel the more delivery costs go up and food becomes more expensive, and I will be fully supporting this amendment, Sir. Thank you.

2.1.6 The Deputy of Grouville:

Yes, it is amazing, is it not, we have all become experts, law experts and retail experts, the "Keep it simple." Keep it simple - so let us devise our own system, shall we? Let us have all our court cases here on Island, let us devise our own software, our own computer systems. That is keeping it simple, is it? Tell me, some of the arguments have already been cited by Senator Shenton. Some of the examples: anything that you can put in your mouth - chewing gum, vitamins, rice paper, cough sweets, mouthwash. We are going to have to go through every single item if we adopt this amendment, every single one. So let us do it the Jersey way, shall we, and people are worried about how much this will cost. Well, it will cost an enormous amount if we go down the route of these amendments. Rather than us all sit here and become retail experts, why do I not read a passage from an email, if I may, Sir, from a retailer, the chief executive of the largest retailer in the Channel Islands. So rather than sit here and listen to all these retail experts, why do we not listen to people working on the coalface, what they have to say? I quote: "The great advantage in using the U.K. V.A.T. model for definitional purposes is that although complicated in its initial inception, virtually all of the issues are now settled and there is a well-defined set of rules governing what does carry V.A.T and what does not. In addition, as the Island's food supplies come predominantly from the U.K. supplied British price lists, the concept of what is standard rating for tax purposes is well understood by the majority of Island retailers." So let us take what they say, shall we, rather than all the experts around this room, sorry, and I will come back, I am still quoting, but that was not part of it: "Even using Senator Len Norman's proposal we, the retailers, would still be faced with handling a mix of goods, both carrying tax and not, as G.S.T. would presumably still be charged on toiletries, household goods et cetera. Problems for retailers is no excuse for not acting,

although consideration should be given to the consequences. My view, and that of the Co-op, is that the pain we will suffer is well worth the gain, the greater good for the greater number. Arguments also over the complications this will bring to the collection regimes and the extra cost in manpower this will create is also largely spurious, as G.S.T. is a self-declaration system, and as most Island retailers use computer systems that are largely designed to the U.K. model, splitting out standard and zero-rated sales should present little problem.” So there we have it. All we have to do is lift the system off the peg from the U.K, complete with settled court cases and readymade computer software and implement it. So while on the surface reading the legal documents in the appendix might look complicated, the appendix of any legal document - including the one that would accompany Senator Len Norman’s - would, as I have already said, look very, very similar. But we have a readymade system here, it is simple. I have to ask myself, in times when this Island is suffering with obesity problems and an epidemic in diabetes, is it really responsible for a government to be exempting fizzy drinks and all fatty stuff and chocolates? No. My proposition takes us down the middle road between the healthy G.S.T exemptions and Senator Norman’s, so it is good on health grounds, it is good to implement, and in my opinion it is good for the public. The public expect it. They are very disappointed, and I may have quoted there from the Co-op, but I happen to know all the other large retailers are of the same opinion. They all feel tax on food should never have happened.

2.1.7 Deputy C.J. Scott Warren of St. Saviour:

I, Sir, will be supporting this amendment. As has been highlighted by Senator Norman so ably, it is abundantly obvious that the U.K. law on food is an ass. There is no other way to describe the provisions, and I would like to remind Members that pre this year, a year ago, we had no G.S.T. on food, so I fail to understand the problem of going back to the pre-G.S.T. days on food. We managed it all these years. I cannot understand - perhaps somebody can explain to me - why we cannot go back as regards food to last year. Thank you.

2.1.8 Senator T.A. Le Sueur (The Minister for Treasury and Resources):

Members will not be surprised if I say that I have agonised over this question of G.S.T. on food for some weeks following the lodging of the proposition of the Deputy of Grouville, because I have consistently said that we want a G.S.T. system which is simple, with few or no exceptions, as Senator Norman said. The reason that I have been on the horns of a dilemma is because of the significant rise in the cost of food and fuel in recent months and the effect that this has had on the community. I have to ask myself, do I simply ignore that and stick rigidly to my principles or do I take into consideration the hardship being felt by all members of the community? At the end of the day, as ever, it is a compromise, and there is perhaps no one right solution, but I am anxious that we should maintain the general principle of keeping G.S.T. as simple as possible, with few or no exceptions. So when, as the Council of Ministers decided, that really we had to do something to alleviate the significant increase in food costs, I looked at 3 different options. The first was one of healthy foods, however that might be defined. The other, the second, was to follow the U.K. model and the third was to go for the all food option being proposed by Senator Norman. Initially, the all food model sounded quite interesting. It ought to be simple, should it not? Well, if only it was, but in fact, that is the trouble. Definitions in law are never simple, and the advice that I have received from the G.S.T. Director is that in the order of simplicity, the simplest solution is to follow the U.K. model, as Deputy Southern has suggested. That is the best from the point of view of simplicity. Even if it does run to 16 pages of definition or 24 pages of definition, it is still the simplest and the most established model if we are going to introduce G.S.T. on food at all. So I think for those Members who do not like difficult legislation, maybe the answer would be still to retain G.S.T. in its existing form. But if we are going to do anything about food, then the only realistic solution in order to do this in an effective and short-term measure is to follow the U.K. model. It has already been suggested that there will be some delay between taking this decision and bringing it into force, because we have to amend the law, and it will be a relatively simple matter to amend our G.S.T.

law, to cut and paste the U.K. legislation. It will not be a simple matter for us to start from scratch and define food and think we can define it in 2 lines, because the answer is we cannot, and we will have definitional problems which will then be the subject of legal interpretation, and we will have no U.K. case law to work on. So I do urge Members that however superficially attractive all food may sound, it is in fact a recipe for disaster. So I think, Sir, if we are going to try to do anything about food and try to do it in a reasonable timescale, the only answer to do is to follow the U.K. model. That is what the Council of Ministers and I am suggesting that we should do, and therefore we should reject this amendment from Senator Norman.

2.1.9 Deputy S.C. Ferguson of St. Brelade:

We have been arguing over the details, but I think we need to look at the whole picture. G.S.T. - yes, any form of tax - is particularly uncomfortable, but I think we have to remember that the reason we have been for years a low tax jurisdiction is because of the tax income we have been obtaining from the finance industry, from taxpayers in other jurisdictions. We have not really been a genuinely low tax jurisdiction. We have been a subsidised low tax jurisdiction and, frankly, we could not expect that happy state to last for ever. A consumer tax, a simple, low rate is the fairest approach, not only for the current generation but also for future generations. I will make my main points when we return to the main proposition, but effectively I will be talking about how we can give greater benefits for a much lower cost than these various measures, tinkering the G.S.T. As far as the various comments about U.K. V.A.T, in common with other accountants I have wrestled with U.K. V.A.T. calculations. They are a nightmare, and you should hear what the retailers over there say; perhaps not the big companies where they have hundreds of accountants to deal with them, but the small people, and most businesses are small businesses, particularly over here. From my own experience as a retailer, genuine retailing, standing behind the counter selling things, I would much have preferred a simple, all-embracing tax, which is what we started out with. There are other ways to achieve our results. I support P.138, and I ask Members to think very carefully before we start mortgaging our future for short-term ends. I would ask Members to reject the amendment.

2.1.10 Deputy P.N. Troy of St. Brelade:

When I first saw this amendment from Senator Norman, I thought there was a hidden agenda, because I imagine that he probably has a cup of coffee and 2 cigarettes for breakfast, as he is a prolific smoker and there are also chewable tobaccos as well. There are a lot of other people who have just a cup of coffee and a cigarette for breakfast, Sir. Just what I really wanted to say is I cannot support this, again because really we do have to start all over again, as has been said. I was going to say something similar to Senator Le Sueur, but I will now just keep it very brief and say that we would have to start all over again. It would be a colossal task for us to do all of this, and it is much better to look at the U.K. system for the ease that it will give us in bringing in the legislation and updating the legislation on an ongoing basis.

2.1.11 Senator F.H. Walker (The Chief Minister):

I, like Senator Le Sueur, will be talking to the Council of Ministers' position and no doubt, from some of the comments made this morning, defending that position and defending it vigorously when we come to the main debate on the Deputy of Grouville's proposition. But what - as you pointed out at the beginning - we are doing at the moment is deciding not whether we exempt or zero-rate food but how, and that is what is before the States at the moment, and the States, I was quite surprised at part of Deputy Le Fondré's speech when he said it should be left into the hands of Members. Well, of course it is absolutely in the hands of Members; that is why this debate is being held. That is exactly what it is about, and what Members have right now is a genuine choice. What Members are being asked to do is to approve one form or another of zero-rating of food, and the choice is between the Council of Ministers' recommended - and the Deputy of Grouville's recommended - U.K. structure or Senator Norman's structure, which is exempt all food. There is

no doubt at all - and Senator Norman did make, superficially at least, a good and in many places perhaps supportable speech, but it has no substance - it is alluring; it sounds good. It castigated the U.K. system and went into a great deal of detail about the U.K. system, without going into any detail at all about what his system would mean. "My system is simple" he said, "exempt or zero-rate all food, and that is dead easy." Nothing could be further from the truth. Nothing could be further from the truth. Senator Norman's proposition - and as I say, it does undeniably sound simple - would take Jersey into totally uncharted territory. No jurisdiction has gone down that route previously, no jurisdiction, so we would have to start effectively with much of the legal work required, much of the policy formulation, much of the detailed guidance notes; in fact, all the detailed guidance notes. Jersey would have to start from scratch, and anyone who believes that is going to be simple honestly has not studied what the position is, and I would say that Senator Norman has not studied what the position is. What research has he done to back up his proposition? Who has he asked about the complexity of his proposition? Certainly there is nothing here, either in his report and proposition or his speech, that he has consulted with anyone. The Deputy of Grouville is quite right, and the Council of Ministers know this from our own research that introducing the U.K. system, flawed as it may be - no one is pretending the U.K. system is perfect - but introducing the U.K. system is a far, far simpler, less costly way forward, less bureaucratic way forward than that proposed by Senator Norman. I cannot imagine what the additional cost would be of getting legal definition of policy formulation, of consultation, of guidance notes and so on. We would be starting from scratch. The direct cost of Senator Norman's proposition is somewhere around about £800,000 to £900,000. That is a direct cost in loss of tax, but that is just the start. Add to that then the compliance costs, the legal costs, the general start up from nothing costs and you are looking at a very, very expensive proposition indeed, none of which has been made clear by Senator Norman. He has not even referred to it, or if he did I completely missed it. Members should not be lured into believing that this apparently simple proposition: "Oh, do not go down exempting this or not exempting that, exempt or zero rate the whole lot." Members should not be deceived into believing it is either simple or cost free. That is exactly the reverse of the effect of Senator Norman's proposition. It would indeed be a nightmare, and we should not forget that the retailers have all said - as I have already said, I repeat - the major retailers: "If we are going to go down the route of zero-rating food at all, for goodness sake, go down the U.K. route and do not start again from scratch." I just make a point picking up that made by Deputy Ferguson: if Members are against zero-rating food at all, then they need to vote against this amendment, and then of course vote against the proposition. If they are against the zero-rating of food, they cannot, in my view, vote in favour of this proposition because this proposition does talk about obviously zero-rating food. So do not vote against the U.K. system, and what you may think is a simple system if you are against zero-rating food in the first place. If you are in favour, as the Council of Ministers is and the Deputy of Grouville is - and indeed, Senator Norman is - of taking action because of the unprecedented rise in food costs, in taking action to support the less well off against those unprecedented rises, then Members have a genuine choice. It is Senator Norman's amendments or the Deputy of Grouville's proposition, and there is absolutely no doubt in my mind whatsoever that Senator Norman's amendment is a bureaucratic, costly nightmare. The Deputy of Grouville's proposition follows a well-trying and tested route with legal precedent, all the necessary paperwork already in place. We adopt it, we being Jersey, and we proceed from that point, but for goodness sake, Sir, I would implore Members not to go down the apparently seductive route, but an actual nightmarish route, of starting from scratch, unlike any other country in the world.

Deputy C.J. Scott Warren:

Could I just ask a point of clarification? The Chief Minister mentioned that large retailers have been consulted, and that obviously is the case from the proposer's speech. Have the small shops, the small retailers been consulted about this?

Senator F.H. Walker:

My understanding is, although I have not personally been involved in consultation, that retailers generally, if the States is going to adopt zero-rating of food at all, are very much for the U.K. model.

The Deputy of Grouville:

If I could try and answer that, shall I?

The Greffier of the States (in the Chair):

Briefly, but not a second speech.

The Deputy of Grouville:

No, it was just I have spoken to the Chairman of the Chamber of Commerce representing the small retailers. They have chosen to stay neutral on this, but they do not agree that the tax should have been put on in the first place.

2.1.12 Deputy J.A. Martin of St. Helier:

I am glad to stand up after the Chief Minister, especially on his doomsday speech if we accept Senator Norman's proposition. How debates turn around. Within 24 hours: "We cannot do this in Jersey because it would make us unique." I mean, there again, of course Jersey cannot be unique in everything, especially when it comes to tax. It is interesting: I would like to take us back to the comments of Deputy Ferguson and all this argument about food, and what is food and she will not be supporting any amendments because she is going to support the proposition of Deputy Le Fondré, if we ever get there. Why are we arguing about what is food? Why are we not arguing about the people who are buying this food? Let me take us back to the very first time I was on the ninth floor of Cyril Le Marquand House and Senator Le Sueur, the Minister for Treasury and Resources, told me: "We are going for Zero/Ten and it is not a subsidy, it is people putting their money in companies who now will not have to pay a certain amount of tax. They do not pay the tax, the people who are putting the money in it, and somehow we have to transfer the money we are going to lose to the public of the Island. Now, we are going to do this in 2 ways: 20 means 20 and G.S.T." I asked the question: "Why can we not hit the higher earners?" and he said: "Because we only have about 20 per cent. We need to hit everybody, 80 per cent of all earners" and that is all buying this food. Now, suddenly I cannot believe I have the Minister for Treasury and Resources and our Chief Minister stand up and tell us: "We have to accept the U.K. version" in one breath, and in another, and in comments, tell us and have told us over the last 2 years: "It is the worst possible system in the world." Deputy Scott Warren made it quite clear. I know what food is, and yes, there will probably some court cases, but if we accept the V.A.T. style of the U.K. there will still be court cases, because our retailers are not up to speed. So there will still be maybe stepping over the line. Food is food and everybody has to eat. This argument about: "Oh, should we be exempting fizzy drinks?" well, I am sorry, even with G.S.T. and bad education, a lot of our higher retailers - and they are doing it in the U.K. - are enticing people in with cheaper fizzy drinks, cheaper alcohols than you can buy a bottle of water for. Now, is that right? No, it is not, but it does not make it that if G.S.T. is taken off all food people will be able to buy more fatty goods and frozen foods. People buy things for their children that are popular. People who are well educated give them to their children as a treat. I thank Senator Norman for bringing this. I tell you, it really sticks in my craw when we have what I call not a really major big discount store, but we have a store, and I walk in there and buy a couple of frozen items for the first time and get out my money that is on the packet, and that is what they are paying for these luxury goods, ice cream and gateaux in England, and I am asked for another 18 pence, and I am: "Oh, sorry, yes, I forgot G.S.T. has to go on this in Jersey." It is, to me, immoral. I am doing no U-turns. I will support this amendment, and if it does not go through, I will support Deputy Labey's proposition. I have never, ever supported G.S.T. on food and, as I say, forget arguing about what foods and rabbits and cats and dogs and who is going to be eating this, think about the people. You did, the Council of Ministers,

this Assembly passed this on to 80 per cent of our earners. Deputy Le Fondré's proposition does not hit all of them. Half of them would not apply for it, so we sort out our problems in here. Food should be exempt: vegetables, fruit, everything. We know what food is. We are getting a lot more in on all the other taxes. We can exempt food. As for picking a piece of U.K. legislation and law and putting it into a Jersey context, never heard of it in Jersey, it will go through our law officers. They will go through it with a fine toothcomb and they will make different definitions. It cannot be lifted. I do not believe it. I do not believe a word that I am hearing on this absolute: "If we accept this, it will cost thousands or even hundreds of thousands." Once sorted, it will save the consumer. Food is food and everybody has to eat, and I am sorry, it is as straightforward as that.

Senator F.H. Walker:

I am going to leave the debate now because I promised I would go to Owen Wiscombe's funeral. I would just like to make it clear to Members that is why I am leaving at this time in such an important debate.

2.1.13 Senator W. Kinnard (The Minister for Home Affairs):

I was really rather disappointed by that last speech, because I have always been a bit of a renegade on the Council of Ministers and I have always voted against them when it came to the issue of food and medical goods. So I am not doing a U-turn; I am maintaining the stance that I have always maintained. However, I think that Members should reflect on what an unusual situation we have here where the Council of Ministers and the Deputy of Grouville, and indeed Senator Syvret, are all in agreement as to what is the appropriate way we should seek to zero-rate food. Now, that to me seems to be quite an unusual circumstance, and we are as one in saying that the way in which we should do it, if we are going to do it - which is something I think we always should have done - is to go with the U.K. system because it is the one that we are most familiar with, the one that is most tried and tested. I would just like Members to reflect for a moment that the only way in which Senator Norman's proposition is simple, in my view, is that it could simply, by its effect, be a stalking horse to ensure that G.S.T. is never taken off food, because in reality, it requires a set of rules and regulations. It is not simply a matter of us all saying: "We know what food is and what it is not." Quite often when you are having to define matters, you have to define something by defining what it is not. So in reality, whatever system is chosen, there will need to be a set of rules and regulations. If Members think that by creating our own system, or looking at a system perhaps that they might have in a jurisdiction across Singapore or Australia or whatever, the amount of resources in designing a system like that that is suitable for a small jurisdiction will be absolutely huge, and the number of court cases that will be required to settle the issues again will be huge. So in reality, if Members think that by voting for Senator Norman that they are going to help the case of zero-rating food, that will not be the actual effect of it. So I say to Members, if you really think, like I have always felt, that putting G.S.T. on food is unacceptable, then you really have to reflect that the Council of Ministers and those who on occasion have brought propositions themselves to ensure that food is not subject to G.S.T., we are as one in saying that if we are going to do it, the only way to achieve it is by adopting a similar system to the United Kingdom. So I ask Members to reject the proposition that has been put forward by Senator Norman.

2.1.14 Deputy A.D. Lewis of St. John:

I have worked with V.A.T. with my business, and I have also worked now with G.S.T. and I know which I prefer, it is certainly not the V.A.T. model. The manuals are about this thick and there is about 4 of them. It is not somewhere we want to go. We were advised by the Crown agents and by numerous other people not to go there. I was always in favour of a higher G.S.T. so that we could have some exemptions but using a modern model along the lines of New Zealand, Australia, Singapore, not the V.A.T. model. We were always advised against that. Yet here we are, Ministers, extolling the virtues of the V.A.T. model. I am absolutely aghast. I am further aghast at the fact of this U-turn, that was mentioned by the Minister a moment ago, has happened anyway.

But I will come on to that in the next debate. But I am also aghast at Senator Norman's slight lack of grasp of economic issues. He says in his financial manpower implications here that it will reduce about £1 million of the take and, of course, the money will be left with the people, the consumers who can then spend it in the economy. Now, tax when taken out of the economy takes money out of the economy and helps reduce inflation. The Senator here is saying: "Well, no, no, we will get them to spend it and further stimulate the economy and further fuel inflation." These are all the arguments that have been given to us by the Minister for Treasury and Resources over a long period of time, his spin was good. But it was not spin, it was honest, it was based on facts and research and schemes that had been run elsewhere and he convinced us all that the best way was keep it simple, do not look at the U.K. model, create our own unique G.S.T. at a very low rate and I am interested to note that Singapore did something similar at a low rate at about the same time. Here we are in the middle of introducing G.S.T. and we are having this debate. It is not even proven, tried and tested yet. For the Ministers to stand there and say we should be doing a U-turn and then say we also should be adopting the U.K. model after everything that has been said over the last 4 or 5 years, of which I was part, both outside this Chamber and more recently inside. I struggled to support such a low rate because I felt it should be a more encompassing system that would enable us to have greater opportunity to benefit the poor, despite it being a regressive tax. We did not go there. We opted for a low rate, and now we are debating whether we should have exemptions which will jeopardise that low rate. But that is for the next debate. But to have this projet in front of us at the moment just smacks against all of the information we received across a long period of research and consultation. We have spent thousands of pounds to getting where we are and now we want to start taking it apart, bit by bit. This is just the beginning. Do not believe that Members will not come here again in the very near future with similar propositions. I will not go in to the election accusation just yet, Senator Perchard, but maybe later in the debate, because I think it is outrageous. It is disingenuous. I was at a Branchage dinner recently and expected my parishioners to be sort of flying flags and saying: "Great, we are looking at removing something here from G.S.T." It was quite the opposite. I was amazed. **[Approbation]** The public have finally grasped the concept of if you tax people that money is then spent back on them, on public services and they finally made that firm link and we are about to suggest: "Well, we got it a little bit wrong here. We want to start re-putting it back together again." You have got their trust now, do not go and lose it. Do not start telling another story and confusing them further. This is what Senator Norman's projet does and I am sorry to say that Deputy Labey, although well intended, does the same but I will come on to that later. Members, think about this very seriously. Be strong, show a strong government, not a weak one. When we come to the next debate I do hope I hear some stimulating speeches about how we get there because at the moment I think we have got off quite badly on this whole subject and the public listening out there this morning will be thinking: "We are going there all over again. We have been there once already, they made a decision and now they want to change it." That shows weak government. I am sorry, we will get there later today, I am sure, but at the moment let us not confuse the public further with Senator Norman's projet. Let us debate Deputy Labey's which should be debated, absolutely should be debated, and I do not mind debating it again and I hope the arguments will come out strongly against it but that is for this Assembly. But do not confuse the public any further with this project. Sir, I cannot support this project and I would urge other Members not to do so. Thank you.

2.1.15 Deputy J.G. Reed of St. Ouen:

I am pleased to follow the Deputy of St. John as he shared many of my thoughts. But I would just like to pick up a number of short points that perhaps have not been addressed yet, one of which is that we have all based our decisions on information provided and I noticed that both the Deputy of Grouville and Senator Shenton have focused primarily on the views of the large retailers. But in comments issued in fact by the Minister for Treasury and Resources on 19th November last year relating to a proposition brought by Senator Shenton it raised a number of issues which I think Members should be aware of, one of which is to do with the complexity of the U.K. system and

how it includes exclusions for not only food for human consumption but animal feedstuffs, seeds of plants and live animals. It also highlights another fact and issue which has been raised by Senator Norman that there is no specific definition or legal definition for food. However, it then goes on to highlight the problems associated with the U.K. V.A.T. model, and indeed it points out one thing that we should be very clear about and possibly highlights the reason why, perhaps, the larger retailers favour the inclusion of the V.A.T. model. That is because of the sophisticated system and the size of these retailers and their links with the U.K. that in fact the compliance impact of the introduction will be much easier on retailers that rely on pre-priced, pre-packed food products being imported from the U.K. However, we do not just rely on 3 main large retailers in this Island. We rely on a number of other many small businesses and other business not perhaps associated with direct sales of food, including hotels, cafés, restaurants, takeaways, sandwich shops, would all be included and have to have a different rate of G.S.T. for their food. This will again, as Senator Norman has highlighted, have to vary depending on whether they are consumed on or off the premises. Bakeries will have to determine the liability of many of their products. Pet shops and garden centres will be affected. Farmers, butchers and fishmongers, equally will be included. What are the implications? The increasing complexity of the tax with mixed rates providing built in opportunities for error. If certain types of goods are excluded there is a greater potential for mis-description, both accidentally and, equally, deliberately. We are finally told it could significantly add to the cost of business which will be passed on to the customers. But more importantly, and again picking up on a point that the Deputy of St. John raised, was the issue of advice received from the Crown agents who helped us to design our G.S.T. as currently implemented. I would like to just touch on a comment that they made. They said that the simple system as implemented on the Island was a unanimous choice following a period of public consultation inducted by the Crown agents in late 2004. It also went on to say that Jersey is not the only place that has reached this conclusion. They go on: "Any country currently going through the same process and considering the implementation of a G.S.T./V.A.T. type tax arrives at the same conclusion" and they highlight Malaysia, Bahamas and Dubai that are all at different stages on the G.S.T. roadmap and all, all, of them have discounted the U.K./European style system in favour of the New Zealand and Singapore simple model. There is a suggestion being made that Senator Norman's proposition is too complicated and that we need to adopt the U.K. system. Nothing stops us if we chose to remove the G.S.T. or exempt food from our simple tax to adopt the New Zealand, Singapore or any other system that is based on the simple form of G.S.T. that we have adopted and not the U.K. style that everyone, because of experience to date, has avoided. Equally the proposition allows that because at the end of part A, depending on the decision reached, it asks and requests the Minister for Treasury and Resources to bring forward for approval the necessary legislation to give effect to the decision. That does not mean to say that he needs to adopt U.K. or any other. It does not mean to say that we have to construct our own. It allows, if - and it is a big if - this Assembly chooses to go down this route, to have a system that matches the simple proposed and accepted G.S.T. system that we have at the moment. Thank you.

2.1.16 Senator S. Syvret:

This is quite a natty little move by Senator Norman at this time and, as usual, he made everything he said seem extremely plausible and entirely convincing. However, it is not, actually. I normally agree with the views of Deputy Martin but I have to suggest to her on this occasion she has got things badly wrong and made a mistake. Criticise the Council of Ministers by all means for not embracing food exemptions previously when they should have done but to support Senator Norman's amendment would, I think, be very disadvantageous to the Deputy's constituents. I will explain why. Before doing so, let us just consider some of the points made by Deputy Ferguson and the Deputy of St. John, which is why I was quite astonished to listen as I did to the speech of Deputy Le Fondré because at least the Deputy of St. John and Deputy Ferguson have exhibited some consistency, a rationality, a logic, to their position, no matter how misguided it may be. But they have, nevertheless stuck to that position. Here we have Deputy Le Fondré, one of the

supposed champions of targeting, of simplicity, et cetera, standing up and saying he is going to support a proposition which will zero rate magnums of champagne, caviar. That is exactly what it would do, all foodstuffs. All foodstuffs. So there is no targeting whatsoever in Senator Norman's proposition and it is not a simple proposition either because, contrary to the rather strange assertions just made by the Deputy of St. Ouen who seems to think we could proceed without any definitional basis, we could not do so. There would have to be a variety of uniquely Jersey derived definitions, laws, court cases, case laws, et cetera, et cetera, to deal with what was food, what was not, a whole range of other issues. So if there are Members in the Assembly who are wedded to, however misguidedly, the notion of a no exemptions simple model, there is only one credible ethical and intellectually robust position for them to take, which is to vote against Senator Norman's proposition, against the Deputy of Grouville's proposition and all such similar devices. That is the only consistent, honest and rational position you could adopt. Frankly, even if you do not like the idea of any kind of exemptions or anything of that nature, then voting for Senator Norman's amendment would be the worst step you could take because you would be introducing a range of exemptions which are unique, would be unique to Jersey, and would thus then require a dramatic range of work. I said I would explain why this is going to be potentially detrimental to ordinary members of the public. Contrary to the view of the Treasury, it is entirely feasible, I am sure, with sufficient political will to embrace the changes as proposed by the Deputy of Grouville before Christmas, within the timeframe involved. Let us face it, the people who administer the tax and collect it, the big retailers, the major food retailers in the Channel Islands, have said they can do it in 6 to 8 weeks. They could have the exemption on food using the U.K. V.A.T. model up and running and in place within 2 months. I am not a gambling man but if I was I would bet that if we go with this entirely novel untested approach as proposed by Senator Norman, 2 things will happen. Certainly the result, the implementation of it, will not happen before Christmas and indeed may not happen for a very, very long time. Secondly, it may well result in exemptions of foodstuffs never happening at all. I am sure this is not Senator Norman's intention but this could be seen as a wrecking amendment. Given the complexities of devising our own range of definitional bases, it is entirely feasible that Members could naively vote for what Senator Norman is proposing and find that we have landed on the Treasury's desk a system which in proof is a nightmare, is unworkable, will make up us look an even bigger load of clowns to the public out there and it will still be being argued about by civil servants, advisers, politicians and retailers for the next 18 months. So, do not support the amendment of Senator Norman, it is absolute folly. It is not often I stand in this Assembly in complete agreement with Senator Walker and Senator Le Sueur, but today I do so because they are correct. Senator Le Sueur, Minister for the Treasury and Resources, said - and some very wise words - that the amendment of Senator Norman appears superficially attractive but upon closer analysis and thought is, in fact, a recipe for disaster. Those are the words of Senator Le Sueur, our Minister for Treasury and Resources, not mine. So Members really need to think very, very carefully about this. If we are going to seek to stop taxing food, as we should ... in my view we should not have done it in the first place, but we are going to have to sooner or later stop taxing food because broadly the range of energy costs, and thus the range of food commodities is not going to do anything except go up generally from here on in in the coming years. If we are going to exempt foodstuffs then the simplest, the least bad, method for us to adopt would be the U.K. V.A.T. model. Certainly if you were starting from a blank sheet of paper, you would not adopt the U.K. V.A.T. model but Jersey's circumstances are somewhat different. The vast majority of goods we import and sell in our shops come from the United Kingdom. The stocking systems, the tills, the computer software, the guidance, it is already there on the shelf and, indeed, in many cases is already built into the systems of food retailers. So that battle having been fought over the decades in the U.K., 99 per cent of the issues having been resolved and solved, it is there ready for us to take off of the shelf and implement quickly. With sufficient willpower from the Treasury I am quite sure they could match the time and speed of the retailers who promised they could take the G.S.T. off of food within 6 to 8 weeks. Sir, it seems to me that the situation is quite plain. The amendment as proposed by Senator Norman, as Senator Le Sueur said, is superficially attractive

but a recipe for disaster, even if adopted in proof it could end up taking a very long time to implement, certainly not before Christmas, and indeed may in all practicality end up not being effectively implementable. Those are the simple choices before us today. Those Members who are wedded to such notions as simplicity and targeting have to vote against Senator Norman's proposition, unless they are going to display gross hypocrisy and inconsistency in their position. If you believe in the old mantra of targeting and simplicity, then you have got to vote against everything that is before us. To vote for what Senator Norman's proposal amounts to is to go in completely in the opposite direction and it simply is not a credible stance to adopt.

2.1.17 Deputy J. Gallichan of St. Mary:

Well, I stood before previously on the basis that I wanted to support - reluctantly but in the eventuality that it had been decided - a simple tax and spoke as many Members did before against the U.K. system when we debated it months and months ago. I have listened very carefully today because much has been said about how really it is the only option, it is the simple option despite what Senator Norman said. Now, reluctantly, I understand that things have changed out there since G.S.T. came in in May but I do question the leadership here because a good government has to be responsive to changes in situations. That is absolutely definite. But when those changes in situations move beyond flexibility and adaptability into a complete almost reversal of arguments that were put when issues were originally brought in, then that gives me much more cause for concern and makes me question more deeply. So I am, at this point, minded to go with Senator Norman's amendment. When the Deputy of Grouville launched her own major proposition here she said something at the beginning that really made me prick my ears up. In fact, I think it was in response to the amendment. She said that Senator Norman had given a great exposé of what the complexity of the appendixes were. But not to worry, that is legal speak. There is a whole industry made from it, she said, and absolutely right there is. That was my fundamental concern to begin with. I had, as I said to some Members, a text very late last night from a parishioner, an ordinary parishioner, in fact a pensioner, saying: "No more complexity. We are just getting used to this. We have bitten the bullet here, let us keep it as simple as we can." In fact, he said: "Leave G.S.T. as it is." Now, I think we do need to make a change. Speakers against the amendment have made much of the way that the system is there for us on the shelf ready to take in from the U.K., it is already tied down. But make no mistake, that is not true. There are continual challenges to the system. Okay, the U.K. is geared up to dealing with those challenges and, as the Deputy of Grouville has said, there is a whole industry made from it. I remember when we spoke about this - was it November last year - getting some laughter from Members when I said that the thing that had made me shy away from complexity was not whether we would hit the poor, the middle or the higher earners with it, it was the fact that the people who would really get rich were the bureaucrats and the accountants. I remember that caused a ripple of laughter then and it is not necessarily far from the truth today. If we adopted the U.K. system then surely we would still need to have all the mechanisms in place here for evaluating products. Not simply for locally made new products but because we import, although largely from the U.K., from other countries as well. I know that in the U.K. also they have a very large Polish community. I know that shops import directly from Poland in several cases. They do not necessarily have ... and I have to blunt here, I have not studied any Polish legislation on this or any French legislation on this particular aspect but we cannot blindly assume that everything is rated in the same way, that because a product is exempt in one country, it will be exempt in another or rated at a certain weight in another. We need the ability to evaluate everything here. We need, to a certain degree, the bureaucracy to be established here. Importantly, if tax is to be payable and collected here then surely it must be enforced here. So we have to have an enforcement mechanism in here. To be honest with you, it comes down to common sense. We are standing here at 11.30 a.m. Historically this morning somewhere in Switzerland in a tunnel they have tried to recreate the big bang. Now, I am still here so obviously those precursors of doom that said: "It could all just go poof like that, at 8.00 a.m. this morning" were wrong. In an age where people can do such fantastic things as recreate the moment - from a physics point of view -

of creation is it really so hard to think that a definition of food could be defined relatively simply. Because you start from the basis of it is for human consumption and then you broaden it out from there. I do not believe it would be that onerous to do it. As for the argument that we would declassify pop and crisps and whatever, well then we would. But let us be honest about this, most of the breakthroughs in health education ... and I take as a parallel perhaps smoking, the price of cigarettes went up and up and up but people smoked. But a real change in environment and a real change in social behaviour, no smoking in pubs, no smoking in restaurants, and people started to adapt. I am sure I can remember something from the Heath Ministry at one stage telling us there had been a significant change at that point. There was a sea change. It was not the cost of cigarettes. People who buy their children vast quantities of pop and fizzy drinks now are doing it, just paying 3 per cent more. It has not given them a benefit but I believe that through the healthy eating campaigns launched in the schools, they are getting much more of a response. Education, not prohibition surely is the way forward. The challenges in the U.K. are still going on. I made that quite clear when I spoke in November last year. There was a case that I had picked up that morning in confectionery news about how a product that had long been dealt with as a V.A.T. exempt product, because it was fruit, it was uncooked, had no artificial sweeteners, was suddenly reclassified after a huge court battle and then a Customs and Revenue inquiry and it could hinge on something as simple as the kind of sweetener used. It could be artificial sweetener; it could be honey; it could have a completely different aspect. Are we really sure that we know locally here, food that is made, flapjacks that are sold in certain takeaways, for example, in the mornings, there are fruit muesli bars ... do we know how they would be classified automatically or would we have to accept that we would need that full mechanism? I do not believe (a) that the U.K. system is ready off the shelf without any extra intervention from us and I do not believe (b) that having a general exemption on food items is necessarily more complicated. I will support Senator Norman's amendment and I think, Sir, that is exactly where I will leave it. Thank you. **[Approbation]**

2.1.18 Connétable K.P. Vibert of St. Ouen:

I am a bit confused about the Deputy of St. Mary's last speech because having said that she wanted a very simple system **[Approbation]** it appears to me that her thinking got extremely complicated. I am not going to support this amendment because I think that Senator Norman killed his own argument by going through the list of complicated exemptions in the U.K. law. I think he proved to us, or proved to me anyway, that if we were to adopt his amendment we are going into a legal minefield. Without a clear definition of what food is, a legally binding definition of what food is, we could find ourselves with some severe court and case costs in the future. Sir, I cannot support this amendment.

2.1.19 Senator P.F.C. Ozouf (The Minister for Economic Development):

I realise the dilemma of Members; I wish that we were not here. The Council of Ministers is, of course, getting criticised. I would just remind Members that we did not bring this proposition, we are responding, perhaps wrongly, to the Deputy of Grouville's proposition because we must and the Council of Ministers is also responding to the changing world. I had a conversation with somebody earlier about whether or not in politics you can make U-turns. The Deputy of St. Mary talked about the goings on in Geneva or Switzerland today. I do not think we have invented a time machine yet. We cannot turn the clock back; politics is about a forward position and a forward position is sometimes that you need to make a change. Not a U-turn; it is a Y-turn. **[Laughter]** Sir, we have debated in this Assembly issues about G.S.T., the U.K. system is a nightmare, it is complicated and this Assembly has made the right decisions with our heads about keeping a simple system of G.S.T. But I hear some Members moving with their feet and supporting that system. There is no point in being right if you do not take people with you. That is really the question that is before Members. We know what the right decision is about G.S.T. We know that all of the research around the world suggests that the best situation is having a simple system of G.S.T. with a low rate. But we have got to take people with us. That has got to be the situation with the substantive debate,

whether or not the world has changed sufficiently for us to change and exempt food. What I am absolutely clear about is that Senator Norman's proposition to remove all food, and, yes, I have flirted with the idea. Yes, I also discussed the situation of Senator Cohen's very well intentioned situation of healthy foods. We have had all of these situations, we have had all of the discussions about whether or not you take out all food, whether or not you take out healthy food. The reality is, as Senator Kinnard said, you need a set of established rules. If you are going to exempt food then, as complicated, as nightmarish as they are, as ridiculous as they can be made to sound, the only situation is to have the U.K. system. Any other suggestion is frankly ludicrous and I rarely agree with some Members that have spoken in this debate but it will not happen any time soon; there will be a huge amount of work needed to craft an all-food exemption. I am not sure that I even know anywhere that has got an all-food exemption. Senator Norman has not given us any details, he is just simply making decisions. I see Deputy Scott Warren shaking her head. I am willing to give way.

Deputy C.J. Scott Warren:

I would like clarification about how, when there was V.A.T. in the U.K. and we did not introduce this system until this year, did we manage to keep our food without G.S.T. in that situation? We did manage it and it seems to me ...

The Greffier of the States (in the Chair):

Your question is clear, Deputy.

Senator P.F.C. Ozouf:

Yes, the question is clear. The fact is that we had a simple system, we are not having to debate whether or not it is food or not food or whether or not you put it in your mouth. I mean, how do you describe food? Is it that you put it in your mouth and swallow it? What is it? I have no idea, it is completely ridiculous. Deputy Scott Warren needs to know, Sir, that a simple system means that effectively you tax everything and the default position is that it is all taxed on an input/output basis and there are very, very few exemptions. Having an exception of just foods is simply ridiculous. Also this whole argument about somehow giving people in their shopping basket a concession on food, well shopping baskets do not only consist of food either. This is simple politics to a great extent. This is not make decisions with our heads, it is making decisions with something else but not with our heads. But we can at least, if we want to have an intelligent debate about whether or not food should be in or out then we should throw out this amendment, it is absolutely nonsense, it will not come in any time soon, it certainly will not be here for Christmas, and let us get on to the substantive debate about whether or not the world has changed sufficiently to mean that we do have the U.K. system. That is the only decision before Members, and let us get on with the actual real debate.

2.1.20 Deputy F.J. Hill of St. Martin:

Earlier on we heard that we have to be careful about Jersey because Jersey is unique and when Members bring propositions which mirror the U.K. law, we are often told that Jersey is unique and therefore there is no reason to support anything that comes across from the U.K. and therefore Member's propositions are then rejected. Of course I had that experience only on Monday. Now we are being asked to support a proposition which is very much a mirror image of the U.K. which we know is flawed. In actual fact we have heard from Senator Ozouf it is a nightmare, yet we are going to introduce it in Jersey. Sir, I was in the U.K. when V.A.T. was introduced and it was generally felt then that it was totally unfair to put V.A.T. on food. However, it was, with the exemptions albeit. However, the reason why it was put on food right across the board, guess what? A low rate so it would not go up. Now where have I heard that before? Now, we are often reminded Jersey is a wealthy Island yet we sought and we did put G.S.T. on food which affected everybody. Now we are going to remove it and I will be supporting the move to remove G.S.T. I

am also aware there will be challenges if Senator Norman's proposition is approved but we know there are also, today, always going to be in the U.K. challenges on the U.K. system so I do not see any difference at all. But while I will be supporting the principle of G.S.T. being removed I will also be supporting Senator Norman, because I think it is a simple system. We know what food is and for those people who are making - I hate to say this - a meal out of it, really are going beyond what I think is necessary. I think what Senator Norman is proposing is quite simple; it needs our support and I will be giving it.

2.1.21 Deputy S. Power of St. Brelade:

I do not have a lot to say at this stage because I would like to get back to my main speech on the main proposition. I want to say at this stage that I am going to oppose this amendment, I am going to oppose the next one and I am going to vote against the proposition. I was one of those Members in the Assembly who voted against G.S.T. right down to the very end. I then realised when that was lost and this Assembly voted for G.S.T. that in my simple mind we had to keep it simple. The only way I was able to register a mechanism that worked was a G.S.T. model with as few exemptions as possible. I remember Minister after Minister lecturing us on how that model had to be introduced and that was not so long ago. Some things have changed in the recent past. We have seen price increases coming in that have affected the Island, that are factors that are outside the control of this Island. But when I do my soundings where I come from in the Island, recent dinners, Branchage dinners and a Parish Assembly last night, the people in my parish are confused. They do not know where the Council of Ministers are going and, frankly, the Council of Ministers have reacted, in my view, in a very poor way to the Deputy of Grouville's proposition. So I will stick to what I said, Sir. I am going to oppose these amendments, I am going to oppose the proposition and I will wait for the main debate.

2.1.22 Deputy G.W.J. de Faye of St. Helier:

I do wish to make a couple of minor points at this stage in the proceedings because I see that things are going to carry on much, much longer. But just to explain to those Members who are apparently baffled by the fact that some speeches are being made by their colleagues who are saying that they believe very strongly in a simple system of G.S.T. but they wish to support Senator Norman's amendment, I do need to tell Members there is such a thing as tactical voting. That is why some Members wish to support Senator Norman, not necessarily because they are convinced by his argument but because they think it may sink the main proposition. Now, I used to be - as a child and still am - an enormous [Laughter] ... I am still child-like in many ways, Deputy, yes. Some people find that charming, especially my mother. I have always enjoyed Laurel and Hardy, always, and they still make me laugh, as do many of these Assemblies. [Laughter] I think it was Oliver Hardy who had that catch phrase: "Here is another fine mess you have got me into." Well, what a fine mess the Council of Ministers have got themselves into. [Approbation] What a fine mess. A food pickle of a major order. I see one of them is going into retreat already. [Laughter] Sir, I am going to offer the Council of Ministers, who already severely derailed themselves, an opportunity to get back on track. That is instead of knocking Senator Norman's amendment, support it, because you will then have the only excuse remaining to you to speak against the main proposition, and that is it has been fouled up by Senator Norman's amendment and you will not be able to support it any more because it will create additional bureaucracy. I throw that lifeline not only to Council of Minister but to any other Member who cares to indulge in tactical voting as I intend to do myself when this matter comes to the vote. I am intrigued by the views that clearly Deputy Power, among others, are picking up from Islanders and the general public. They are not just confused, they are wondering what on earth has happened to leadership. [Approbation] Where has consistency gone and why is it that these people take 3 to 4 years attending workshops, listening to experts drawn from all over the planet, make a decision and 6 months later change it? It is another fine mess we have got ourselves into and at this stage of the proceedings I strongly suggest to anyone who would

fancy being here next year **[Laughter]** to try and find a way out of the mess we have got ourselves into. Try tactical voting for a start.

The Greffier of the States (in the Chair):

I call on Senator Norman to reply.

2.1.23 Senator L. Norman:

I would firstly like to congratulate and thank the Deputy of St. Mary for a most thoughtful and sensible speech and wish I could say the same thing to the Deputy of St. John. The Deputy espoused - chanted indeed - the oath of mantra of flawed economics by reminding us that the more we put prices up, the more we tax people, the lower inflation will be. Forgetting of course that the higher the prices, the more we tax people, the cost of living actually goes up. A slight chink in what he says would be accurate if the increased taxation we were not taking away from people, and we are taxing people more now, individuals more now, much more than we used to, and reducing the tax on corporations so it is the individuals who are picking up the tax bill. If that money was taken away and not spent again, what we are doing is taking more money from the individuals, spending it and therefore it has no impact on inflation whatsoever, except to put the cost of living up. We are removing people's choice on how they are spending their money, taking it from them and deciding ourselves. Although what that has got to do with the proposition before us today I am not 100 per cent sure. Sir, I am not going to refer to every speech but Deputy Le Fondré did open the comments this morning and he pointed out, as he has done a number of times, that by reducing G.S.T. or removing G.S.T. on some products it benefits the wealthier more than the poor. Now that is true in absolute terms and in actual cash terms. But he what forgets and what those who espouse that theory forget, it does not take into account proportionality. You see, a loaf of bread or a litre of petrol, or a newspaper is the same price whatever your income happens to be. The retailer does not ask you for your income tax return or your income support receipt to decide what he is going to charge you. We all pay exactly the same. Now, if someone with an income of £100 spends £10 on these products, he has spent 10 per cent of his income. Someone with £1,000 income may spend more on these products, he might spend £20 on these same products but he has only spent 2 per cent of his income. So proportionately G.S.T. impacts on the lower income groups much greater than it does on the wealthier. Deputy Southern and Senator Shenton did say similar things, they both want to have the U.K. V.A.T. system in Jersey, despite the fact that it is - and no one has denied it - the most complex and the most expensive and the worst indirect tax system in the world. But they still want it. Senator Shenton was also worried about rabbits. I do not know why he was worried about rabbits but what I could say to him is that if a rabbit is alive and in a pet shop I suspect that will be regarded as a pet, and if it was skinned and hanging up in a butcher that might be considered food. But that is something he has got to come to terms with and I cannot really help him on that. Sir, Deputy Labey repeated the implication that the V.A.T. system in the U.K. was bedded down and settled. It is not. It is ongoing, it is live. The tribunals and the appeals bodies are sitting all of the time. New products are coming on line all of the time which causes disputes and the Deputy of St. Mary pointed out that even products that have been on sale for years suddenly had their status changed and resulted in court hearings. Some the Government win, some the Government lose, so sometimes the Government has to pay out money, sometimes the Government has to pay money. But it really is a very expensive and complex system. The Deputy also pointed out, and quite rightly, that it is understood by the retailers. Now that is not quite what she said, is it? What she said is that it is understood by the managing director of one of our major retailers. Of course it is. The major retailers have got a lot of U.K. experience and know about the system and have operated the system. The thing is the majority of businesses in Jersey are small business who do not have that experience and knowledge and the risk is if we are going to make life as complicated as it is, and okay I did it light-heartedly perhaps but those complications are real, they are real, and they are going to have to be coped with by the small retailers. We already know that some retailers have had difficulty in surviving with G.S.T. already, when it comes to these

massively complex exemptions, many of them are likely to disappear all together. I do agree that we do need a system which is understandable to the retailers but to all retailers. But even more importantly, much more importantly, I think we need a system which is understandable to the consumer. Sir, Senator Le Sueur, the Minister for Treasury and Resources, told us how he had faced up to the difficulties when he suddenly discovered that food prices and the cost of fuel was going up and saw something had to be done. It is no point in saying, I suppose, I told you so but it was last November that the world realised what was happening to food prices and to fuel prices. Was it February or March of this year when we had the debate on the Appointed Day Act of G.S.T. and speaker after speaker reminded the Minister about what was going on with fuel prices and food prices? It is only today, or the last few weeks, that we have realised that we should be doing something about it. What I am suggesting is not simple, and he has been advised by his G.S.T. Director to use the U.K. system. The very G.S.T. Director who when he was in the private sector working for the Crown agents, advising the Minister for Treasury and Resources on G.S.T. said: "Whatever you do, do not go anywhere near the U.K.'s V.A.T. system." So not only have we got a U-turn politically, we have now got a U-turn in the civil service as well. The Senator said that the V.A.T. system would be simple to implement. Yes, it would be simple probably for the Treasury, all they have got to do is cut and paste the legislation. But why do they want to cut and paste the legislation, which in their own words, the Council of Ministers' words, is the worst legislation in this area in the world? Go to Dubai, go to New Zealand, go to Singapore, cut and paste that because they may not be perfect but at least they cannot be the worst legislation in the world because that belongs to the U.K. They can cut and paste that. That would make it simple. I do not want it necessarily simple for the Treasury, what I really want, I want it simple for the consumer. Senator Walker also mentioned that the U.K. system is not perfect, and again in his comments he said it is the worst in the world and said that my proposition will cost the Treasury money. Well, of course it will, of course it will. I am proposing a reduction in taxation and normally when you reduce taxation income from the Treasury goes down. I am amazed that Senator Walker does not understand that. People will be paying less tax. No, we do need to keep the system simple. We need to avoid courts, avoid tribunals as much as possible. Because, as somebody said, we do import food from all over the world, we cannot simply cut and paste and then be a parasite on the back of the United Kingdom. Sir, the system that is the worst in the world, we should not adopt. I do think - I honestly do think - that there is a reasonably simple definition for food. I can take it from the U.K. V.A.T. notes, it said: "A product is food if the average person knowing what it is and how it is used would consider it to be food and it is fit for human consumption." That, I think, is simple. I maintain the amendment.

Senator B.E. Shenton:

I did ask the Senator to tell me how he would differentiate between hot food and normal food, and sort of the move into restaurants, cafés and takeaways and so on and so forth.

Senator L. Norman:

The Senator is exhibiting the very problems that exist with the U.K. V.A.T. system. Food is food and I have just read out what a definition of food could be.

The Deputy of St. John:

Can I seek clarification from the Senator?

The Greffier of the States (in the Chair):

As long it is to clarify something you asked that the Senator has not answered, not raising new matters.

The Deputy of St. John:

The Senator said in this reply to the House that taxation does not take money out of the economy and causes inflation. Can he clarify that?

The Greffier of the States (in the Chair):

I do not think he appears to want to, Deputy. Very well, the vote is for or against the first amendment, which is to delete the words relating to U.K. Value Added Tax.

POUR: 17		CONTRE: 28		ABSTAIN: 0
Senator L. Norman		Senator S. Syvret		
Senator F.E. Cohen		Senator W. Kinnard		
Senator J.L. Perchard		Senator T.A. Le Sueur		
Connétable of St. Clement		Senator M.E. Vibert		
Connétable of St. Brelade		Senator P.F.C. Ozouf		
Deputy A. Breckon (S)		Senator T.J. Le Main		
Deputy J.J. Huet (H)		Senator B.E. Shenton		
Deputy of St. Martin		Connétable of St. Ouen		
Deputy G.C.L. Baudains (C)		Connétable of St. Mary		
Deputy C.J. Scott Warren (S)		Connétable of Trinity		
Deputy J.B. Fox (H)		Connétable of Grouville		
Deputy J.A. Martin (H)		Connétable of St. Martin		
Deputy G.W.J. de Faye (H)		Connétable of St. John		
Deputy J.A.N. Le Fondré (L)		Connétable of St. Saviour		
Deputy S. Pitman (H)		Deputy R.C. Duhamel (S)		
Deputy K.C. Lewis (S)		Deputy P.N. Troy (B)		
Deputy of St. Mary		Deputy R.G. Le Hérisier (S)		
		Deputy G.P. Southern (H)		
		Deputy S.C. Ferguson (B)		
		Deputy of St. Ouen		
		Deputy of Grouville		

		Deputy J.A. Hilton (H)		
		Deputy P.V.F. Le Claire (H)		
		Deputy of Trinity		
		Deputy S.S.P.A. Power (B)		
		Deputy A.J.D. Maclean (H)		
		Deputy of St. John		
		Deputy I.J. Gorst (C)		

3. Goods and Services Tax: exemption or zero-rating for foodstuffs and domestic energy - amendments (P.103/2008) - amendment 2

The Greffier of the States (in the Chair):

We come now to the second amendment relating to energy and I ask the Greffier to read that amendment.

The Deputy Greffier of the States:

Page 2, paragraph (a), in sub-paragraph (ii) delete the word “domestic” and after the word “energy” insert the words “and fuel.”

3.1 Senator L. Norman:

I am recommending this change. The Deputy is proposing that the G.S.T. be removed for domestic energy. This is going to cause some difficulties because many premises operate both domestic and commercial activities on the same premises and from the same supply so this will be almost impossible to police and to work out which is for what. Equally, Sir, we want our economy to be strong and developed and to remove this small additional cost from business would be of some assistance in that area. Sir, I am not sure under the proposal of the Deputy of Grouville whether coal would be included as an energy or whether that is a fuel. So what my amendment will do is clarify that, all energy and all fuel should be exempt or zero-rated for G.S.T. purposes. Now, my amendment would also cover, of course, motor fuel. It is rather interesting that this morning the Minister for Treasury and Resources said that it was the increases in motor fuel which had really inspired him to support the Deputy of Grouville’s amendment because of the impact the increase in motor fuel was having on food prices. Clearly an increase in fuel prices has an impact on inflation, has an impact on the costs of everything that is transported. As far as Jersey is concerned that is everything that comes in and out of the Island. It is true that in recent days, probably, oil prices have come off their peaks of 140 dollars down to about 100 dollars, but it does seem to me that in response to that O.P.E.C. (Organisation of the Petroleum Exporting Countries) have announced today that they are cutting production so they can try and push prices back up again. It does seem to me that it is absolutely wrong because the raw material prices are going up that the Government would impose a double whammy on the consumer by increasing the taxation, so if petrol goes up 50p you add on to that another 1.5 to 2p on tax. That is wrong. What we should be doing is if the raw price of petrol and oil is going up, we should be reducing taxation and when it comes down we can then have the opportunity of increasing it if we need the revenue. I have also always been very uncomfortable of the double whammy; we are having a tax on a tax. There is impôt duty on petrol, for example, and on that we add another 3 per cent. I do not think that is terribly moral. In fact it was my friend Deputy Lewis of St. Saviour who said it was a triple whammy, because the price of

petrol also includes the road tax. So we are putting a tax upon a tax upon tax and that is wrong. I make the amendment, Sir.

The Greffier of the States (in the Chair):

Is the amendment seconded? [**Seconded**]

3.1.1 Senator S. Syvret:

Senator Norman has had a good crack of the whip and the Assembly has humoured him thus far, but I do hope that this particular amendment can get thrown out quite rapidly for a number of very clear reasons. My understanding of the use of the phrase “energy” was that energy was used because it was an all-encompassing, relatively simple and easily understandable definition of energy sources of which coal is one. So it would seem to me that the phrase “energy” means that all energy forms are included in it. So that part of Senator Norman’s amendment is simply completely redundant, pointless. The question of fuel and whether G.S.T. exemption should be applied to all fuels. I am sorry, but to do this would be the grossest of irresponsibility. We are facing immense environmental challenges across the planet, coupled with the double whammy of peak oil and the fact that rise in oil costs, which is only going to steadily go up and up and up, perhaps dramatically in the coming years, will pull up the cost of every other energy source with it as demand for alternative energy sources increases, and means that we, as a society, have to begin learning how to use less energy, less fuel. Now, businesses generally can be made to operate on a more efficient basis, including an energy efficient basis. With the incentive of saving money, year on year, and having to pay less tax by properly insulating their buildings, making sure that their equipment and machinery is the most energy efficient and so on, they are incentivised to make those necessary investments to reduce their energy consumption of their businesses. Now, many people who live in Jersey do not own their properties, and even many of those who do cannot afford to make substantive structural investments in energy efficiency, insulation and so on in their own properties. But the fact is there are many, many people who live in rented accommodation out there who are entirely at the mercy of their landlords as to what kind of investment, if any, gets made in the proper energy efficiency of the homes that they have to rent. So there is a very clear distinction. There is a very clear need to exempt domestic energy consumption for those reasons and not to exempt broader more general business consumption of energy. Some Members spoke earlier of such concepts as leadership and responsibility. This is one such issue. Yes, we can, we should, we must exempt domestic energy consumption. But how responsible, given all of the issues that face society, face the world right now, is it going to be to take tax off of fuel that gets burnt in 4 and half litre, 2 tonne S.U.V.s (Sport Utility Vehicle) on the school run every morning? It is absolutely ridiculous. I am sorry, this amendment has no merit whatsoever and I hope the Assembly will throw it out quickly.

3.1.2 The Deputy of Grouville:

Senator Norman posed a question in his remarks about energy. My proposition uses the word “energy” deliberately so. I did not use the word “fuel”. Energy is the all-embracing, all-encompassing and therefore coal as an energy source will come as an exemption under my proposition. I cannot support this amendment unfortunately because I think, as I said in my opening remarks, we have a duty to be somewhat responsible to not only the consumer and our Island but also the environment as well. While we should respond to people coping, or trying to cope, with the increased cost of living over here, to exempt all commercial users of fuel I do not believe is altogether responsible to the environment. If his amendment was just domestic energy, as mine is, obviously I would support it because that is what I am proposing but I do not see that we can support all commercial users as well. Thank you, Sir.

3.1.3 Senator J.L. Perchard:

This proposal to exempt energy and fuel is just another step in eroding what would have been a very simple G.S.T. system, and perhaps somebody seeking re-election next time, perhaps the Council of Ministers will come in 3 years time to exempt energy saving appliances, solar panels, insulation. Very good argument for that as well, perhaps next election time, or certainly before the next election time. We get another opportunity shortly to - part 3 of this proposition - exempt magazines and newspapers. Let us keep eroding, chip, chip, chip away at our simple system. Then we have got Deputy Pitman's school uniforms. Just chip, chip, chip, keep on at our system, eroding and making it more complex. Deputy Lewis will probably be back with children's clothing, chip, chip, chip. Let us erode a simple system until it means nothing, is useless. Let us take the lead from the Council of Ministers, let us pretend that we are Captain Mainwaring and Fraser and: "Let us not panic." No, Sir, this is slowly eroding what used to be a simple system. Resist it. Resist all of the amendments and resist the substantive proposition which will be along shortly.

3.1.4 Senator T.A. Le Sueur:

I think in his introductory remarks Senator Norman attributed words to me which I do not recall saying about my feeling that motor fuel made me change my mind. It was the cost of food and the cost of fuel generally having risen significantly which made me have other thoughts. But be that as it may, I think motor fuel has always been a hobby horse of Senator Norman's and at least he is consistent in bringing forward today the arguments that he brought forward on many occasions in the past. Just as they were wrong in the past, they are equally wrong today. He says that this would have a small additional cost. Well, maybe £1 million is small but £1 million is nonetheless very useful and I can think of much better ways to spend £1 million. But the fact is, as Senator Perchard rightly says, what we are seeing here is a danger of creeping exemptions. The Council of Ministers, with reluctance, did make an exemption for food because of the significant effect that food has on every member of the community as a staple part of life. But the position, so far as I am concerned, is so far and no further. With G.S.T. on or off food we still have a reasonably simple G.S.T. system. Any further exclusions makes the system more and more complicated and ultimately not only leads to higher administration costs but will lead to a higher rate. At the end of the day the consumer is no better off because he just pays the same amount of taxation on a different but selected number of items. So, in summary, Sir, as Members will see, the Council of Ministers does not support the Deputy of Grouville's suggestion on domestic energy but nor can we support Senator Norman's amendment either. Both of these lead to exclusion creep but, furthermore, Sir, if there are difficulties with fuel costs we believe that the alternative proposal, which we can discuss at a future date or future time are a better solution than simply tweaking the G.S.T. system in a way which it does not deserve to be tweaked. No, Sir, so far and no further. Let us reject this amendment and the subsequent one and keep G.S.T. as simple as we can.

Deputy C.J. Scott Warren:

I really stand up because I would like clarification. We have just heard from the Minister for Treasury and Resources that in relation to this amendment ... if it were to be passed then I want to clarify whether he is then saying you would not have the next 3 years at 3 per cent G.S.T. and I also want to ask that question in relation to the original domestic energy in the proposition. Are we also risking the 3 per cent being kept at 3 per cent over 3 years or is that a guarantee anyway? Could he please clarify this?

Senator T.A. Le Sueur:

The 3 per cent is fixed in the law, Sir, it would require an amendment of the law to change that. What we are, I suppose, implying is that the more exclusions you get the greater the difficulty in keeping it at 3 per cent after those 3 years.

3.1.5 Deputy S.C. Ferguson:

I think people will probably expect some sort of figures from the Public Accounts Committee and I think perhaps we ought to bear in mind, all States Members, that the total cost of all the amendments which are coming before us, including the £1 million on fuel, is just over £11 million. Now, this is a time when the Council of Ministers have suddenly come up with amendments to the business plan with significant additional expenditure. I am sorry, this really is total Ruritanian economics. We must not be taken in by the siren voices on this and reject all these amendments.

3.1.6 Senator P.F.C. Ozouf:

I should declare that I do have an interest in a commercial premises which is involved in car and petrol retail, not a direct link but I just want to declare an interest as I am required to do. Sir, I recall Senator Norman’s proposition a few years ago in respect of the scrapping of fuel duties. There were a few Members in this Assembly that I see around that will remember that. I was asked, one of my early jobs on Finance and Economics, to look into this and research it, and when we did we found out that there was huge margins on fuel, and in particular petrol prices, and scrapping fuel duties would have led to only one conclusion and that is increased margins. That has been followed now by Guernsey. Guernsey has taken our research and they are following the good lead that we have made in relation to some duty policy by working and putting, with the Consumer Council, the facts in the public domain. That proposition to scrap fuel duty was unthinking, short-term nonsense. This proposition is exactly the same category of proposition. It is unthinking, it is nonsense and it should be thrown out.

The Greffier of the States (in the Chair):

I call on Senator Norman to reply.

3.1.7 Senator L. Norman:

Very briefly. I am sure that the Minister for Treasury and Resources is absolutely correct. £1 million is very useful to the Treasury. I submit that it would be a darn sight more useful to the consumer in their pocket. Of course, it is absolute nonsense to say: “We have got to keep petrol prices high, we have got to have high duty and high G.S.T. because the retailers are charging too much anyway.” The big change that has happened over the last few years is that the competition law has come into play and has had some impact on competition between retailers, which did not exist those few years ago. One of the problems is we have kept putting on duty, impôt duty on petrol prices, for example. One of the reasons given for that is environmental reasons, we want people to use their cars less and so on. But it really has had no impact whatsoever. The amount of petrol sold has remained constant at around 55 million litres a year for as long as anyone can reasonably remember. So, using that as an argument is wrong. We are simply charging too much in tax on these particular products and that is why I have brought the amendment. Equally, as I mentioned in my opening comments, to have domestic premises only G.S.T. free on their energy and not commercial premises is going to cause some difficulties in some areas. I maintain the amendment and ask for the appel, please, Sir.

The Greffier of the States (in the Chair):

Yes, the appel is called for on amendment number 2 which is in reference to deleting the word “domestic” from energy and adding “fuel”.

POUR: 6		CONTRE: 35		ABSTAIN: 0
Senator L. Norman		Senator S. Syvret		
Connétable of St. Brelade		Senator W. Kinnard		
Deputy A. Breckon (S)		Senator T.A. Le Sueur		

Deputy G.C.L. Baudains (C)		Senator P.F.C. Ozouf		
Deputy R.G. Le Hérissier (S)		Senator T.J. Le Main		
Deputy K.C. Lewis (S)		Senator F.E. Cohen		
		Senator J.L. Perchard		
		Connétable of St. Ouen		
		Connétable of St. Mary		
		Connétable of St. Clement		
		Connétable of Trinity		
		Connétable of Grouville		
		Connétable of St. Martin		
		Connétable of St. John		
		Connétable of St. Saviour		
		Deputy R.C. Duhamel (S)		
		Deputy J.J. Huet (H)		
		Deputy of St. Martin		
		Deputy P.N. Troy (B)		
		Deputy C.J. Scott Warren (S)		
		Deputy J.B. Fox (H)		
		Deputy J.A. Martin (H)		
		Deputy G.P. Southern (H)		
		Deputy S.C. Ferguson (B)		
		Deputy of St. Ouen		
		Deputy of Grouville		
		Deputy J.A. Hilton (H)		
		Deputy P.V.F. Le Claire (H)		

		Deputy J.A.N. Le Fondré (L)		
		Deputy of Trinity		
		Deputy S.S.P.A. Power (B)		
		Deputy S. Pitman (H)		
		Deputy A.J.D. Maclean (H)		
		Deputy I.J. Gorst (C)		
		Deputy of St. Mary		

4. Goods and Services Tax: exemption or zero-rating for foodstuffs and domestic energy - amendments (P.103/2008) - amendment 3

The Greffier of the States (in the Chair):

Very well. We come now to the third amendment of Senator Norman. I ask the Greffier to read the amendment.

The Deputy Greffier of the States:

Page 2, paragraph (a): after sub-paragraph (ii) insert the following new sub-paragraphs: (iii) water; and (iv) newspapers, books and magazines.

The Greffier of the States (in the Chair):

Senator, I think it is convenient to ask you to propose and speak to the entire amendment. If you wish to seek separate votes I would allow that on water and newspapers separately if you would.

4.1 Senator L. Norman:

Yes, thank you, Sir, I would ask for separate votes. Also, Sir, I understand that there is at least one Member of this Chamber who believes I am a director of Jersey Water. I am not sure who that is but whoever it is if I could just remind them they are some 2 years out of date. I am no longer a director of Jersey Water. Sir, if food is to be exempted then I have absolutely no doubt that water should also be because in her proposition the Deputy of Grouville says people have to eat and you could equally say people have to drink and have to drink water. Water is a natural resource. It is a God given resource. It is not only the only product absolutely essential to life; it is also the very source of life. I do not think it should be any more expensive than it need be. The cost of doing this would be under £500,000. Bearing in mind that G.S.T. has already brought in some £5 million or more than was anticipated, I think this is one product where there should be very little or no argument in removing G.S.T. from this God given elixir. I have brought back also, Sir, I think a proposition brought by Deputy Lewis previously about newspapers, books and magazines. While I opposed his proposition originally, as I said earlier this morning, because at that time we were talking about a simple tax system with few exemptions, we have now moved away from that. I now will accept the argument that this is a tax on knowledge which has not been applied certainly in the United Kingdom or in the British Isles since the middle of the 19th century. But not only that, if we do adopt the Deputy of Grouville's proposition to exempt food then newspapers, books and magazines will be the only anomaly left that will have one price printed on the product and sold at a different price. This gives us an opportunity to remove that anomaly. Now I get niggled when I go and buy my newspaper with a 50 pence price printed on it. Sometimes, depending where

I go, I am charged 50 pence; other places I am charged 51 pence. When I went to another place where I had not been before the other day I was surprised to be charged 52 pence. That is wrong because that is much more than 3 per cent rounded up. But nevertheless they do that and they are apparently allowed to do it. It would remove that anomaly, the only one that is allowed under the price marking legislation, and it would remove the tax on knowledge. I move the amendment, Sir.

The Greffier of the States (in the Chair):

Is the amendment seconded. [**Seconded**]

4.1.1 Senator S. Syvret:

I am pleasantly surprised, just as I am sure are the listening public who are paying for us, at the good progress and the speed at which we are whipping through business this morning. I hope too that this matter could be disposed of quite quickly. I could speak a great deal about the books and newspapers exemption which I will be supporting consistently as I always did in the past, but I think we all know what the arguments are concerning that. I would - had the amendment of Senator Norman been qualified in some way as possibly being domestic water consumption - certainly also have been supporting that. But it is such a broad definition it implies to the commercial uses of water which are a big, big problem for Jersey. We have a profoundly overdrawn groundwater reserve and what there is of it is contaminated and polluted in many respects. We have to incentivise commercial users of water into finding more efficient and more effective ways of using water and minimising their consumption of it. For that reason, sadly, I am going to have to vote against the water part of this proposition. If it had been qualified just as to domestic water consumption I would have voted for it. Indeed it is entirely feasible - perhaps not in this term but rapidly in the new term of the Assembly - that a similar amendment could perhaps be brought forward by Senator Norman or some other Member which did in fact just stipulate domestic water consumption but as it is at the moment it is far too broad concerning the consumption of a resource which the Island does not have a great deal of it. I cannot therefore support it.

4.1.2 Deputy G.W.J. de Faye:

I do not know whether Members would care to look down towards the floor below their bench seats and they may just be able to discern a very faint swirling mist which is the gently rising mist of misinformation and spin that we are hearing from so many speeches this morning. Misinformation. Yes, our water is indeed a natural resource but not really once it has come out of your tap. If we consider this; is there not perhaps a benefit in taxing the very processed water that comes through your tap at considerable expense after being treated and purified? Is there some merit in perhaps taxing that in order to encourage people to harness the natural resource that falls from the sky, perhaps with rainwater tanks, easing the burden on an industrial process of treating water at the Jersey Waterworks Treatment Works? Water, where shall we stop? We are doing food. We are doing water. We are doing newspapers, periodicals and we will soon be doing school uniforms. I am really looking forward to that debate because I know it is all the poor people who send their children to the schools that demand uniforms. Books, periodicals. Have we not noticed the internet? I am sorry, are some of us living in closeted retreats like monks and are not aware of modern technology or is it some sort of historical nostalgia that we wish to offer a benefit to the old way of doing things? Why not fountain pens and inks and let us have no tax on quills. They are nice [**Laughter**], are they not? You can take a very long time to write a book with a quill. Why were not books and book writing accessories included in this imaginative amendment? I am sorry, I realise that sometimes I have to use my sense of humour to explain the stark realities of the pickles that we are quietly generating in this Chamber, but this is a good illustration of once you start with one exemption, where are you going to stop? Where are you going to stop? If we are going to somehow exempt newspapers, periodicals - and let us just look at that for a moment. Books all have a price on them. Yes, it is called the recommended retail price that the major book

manufacturers stick on the cover leaves. That allows everybody to make a nice fat mark-up when they sell it to you in their shop. No pressure now to say: "Excuse me, we are not going to charge you extra for the G.S.T. We are absorbing it out of our [and remember this word or 2] profit margin." Profit margin or, as some of us more cynical folk might call it, the rip off between the seller and the customer because let us face it the capitalist system is legalised theft. **[Laughter]** It is simply robbing people while smiling at them. **[Laughter]** Indeed as part of retail service, you do not only smile at them, you serve them with grace and courtesy. But the point of the issue is: "I know the price this book cost me and you do not." No, it is time to get a grip, colleagues in the Assembly. We really are going down some very outrageous alleys here. Why exempt books, newspapers? Why not laptops? Why not web servers? As I say, why not fountain pens? Why not quills? Where is this all going to end? It should not frankly have even started. **[Approbation]**

4.1.3 Senator M.E. Vibert (The Minister for Education, Sport and Culture):

Just very briefly. I think the argument about water has been made. It is far too wide a thing. I will restrict myself to the books, newspapers and magazines. I have been told off in the past as the Minister for Education, Sport and Culture in not supporting an exemption on books. The reason I do not support an exemption on books, it is totally, utterly unnecessary, as Deputy de Faye has just explained. I am not sure when was the last time Senator Norman bought a book or whether he has finished colouring it in yet. **[Laughter]** Only joking, Senator Norman, only joking. **[Interruption]** But if you buy books in Jersey or outside Jersey you do not have to pay G.S.T. on them at all. They are for sale at whatever price the bookseller wishes to put them for sale at. I would suggest that Senator Norman goes to buy his newspapers at those outlets - and there are a number of them - that do not charge G.S.T. on newspapers. **[Approbation]** The more people who do that, I am pretty certain that soon all newspaper sellers will not charge G.S.T. on papers if they are losing business. The consumer should vote with their feet. The same goes for magazines. If there was no choice, if you could not buy all these without them being G.S.T. free there may be some reasoning behind Senator Norman's proposition but it is a totally unnecessary part of the proposition. As Deputy de Faye was saying, it is an example of where the G.S.T. in these areas has had to be absorbed because there was room to absorb it on newspapers, magazines and books. Some retailers have absorbed it and it is possible to buy all those things without G.S.T. added. That is what we should encourage. We should not take G.S.T. off; just encourage the retailers to absorb it, as some have done already.

4.1.4 Deputy G.C.L. Baudains:

As somebody who has spent a couple of decades and thousands of hours researching Jersey's water supply I feel I must correct the assertion made by Senator Syvret that our groundwater supplies are profoundly overdrawn - I think was the word he used - because that is not in fact true. Public Services as it was, the British Geological Survey, the well drillers and all others will tell you that in fact it is far from being overdrawn. The water table is in fact rising; a sign of the exact opposite situation. But the argument opens another scenario, Sir, and that of the suggestion that commercial water is presently taxed. In fact most large commercial supplies such as used by hotels, et cetera, is not because it is in all cases a private groundwater supply. In fact that it is the case for many swimming pools as well. So the water referred to by Senator Norman's amendment is, therefore, almost exclusively domestic water, used not only of course for drinking but for washing as well. I am sure we would not wish to encourage people not to wash. As for the newspapers, books and magazines, I think others have adequately explained why that should be supported. I certainly support it and I will not make any further comments on that.

4.1.5 Deputy G.P. Southern:

I thought I saw other lights before mine but never mind. It is always joyful to speak after Deputy de Faye because he can say things that others dare not. I wish I could have said some remarks about capitalism being legalised theft. So chapeau, Monsieur, for bringing that into the speech.

Perhaps next you will be quoting Jon Pierre Proudhon and saying all property is theft. Perhaps; perhaps not. Back to the issue though. He was completely wrong of course in his defence of taxing knowledge. This is a ridiculous thing that we should be doing. To hear a Minister for Education, Sport and Culture support a tax on knowledge I find really quite offensive. I think that is a mistake we made. We should not have made it. We should as soon as possible rectify that mistake. One of the impacts ... and I know about this because I live with the head of a department who has now ceased ordering any books for her department in school locally and now goes instinctively to the net where she does not have to pay this tax on it, being careful to keep her book orders below the *de minimis* level. It is relatively easy. What it means is that local booksellers are losing large amounts of trade to national ones. That is the impact of G.S.T. and it is particularly significant in the area of school books. So I shall be voting for that amendment. At the moment I cannot decide which way to vote on the water because if, as Deputy Baudains says, it means largely that it is domestic water then I am tempted to vote for it. But ideally I would want it to be clarified. I want it clearly stated this is domestic water and that is where we should be exempting because this is a tax on an essential consumable.

4.1.6 Senator W. Kinnard:

I will not be supporting this amendment for water. The main reasons are as follows. There are vast swathes of the world who have to walk miles every day in order to obtain this scarce resource, in order just to obtain their needs for daily living. At the same time I think we take very much for granted this resource. How many of us indeed perhaps leave the tap running while we are brushing our teeth, for example? I think that we could do an awful lot more in our own community for giving respect for and conserving this particular resource that we have here in realisation that the world itself has a problem with water. Secondly, I share similar concerns to those expressed by Senator Syvret about the poor quality of some of our groundwater and the restricted availability of the resource itself which was first addressed by the British Geological Survey. I know that Deputy Baudains does not accept this. He thinks we have plenty of water because of course it comes from the Pyrenees.

Deputy G.C.L. Baudains:

If the Senator would give way for a moment. The B.G.S. (British Geological Survey) stated the opposite.

Senator W. Kinnard:

No, I am not going to give way. The British Geological Survey does not agree with him. I am not giving way. Much of the water ...

Deputy G.C.L. Baudains:

She is misleading the Assembly, Sir.

Senator W. Kinnard:

I am not giving way. Much of the water that is used commercially is used for things as well like car washes. I would be very concerned again that this amendment would allow for that kind of situation, that kind of commercial use of water, because we know that that is again a very environmentally damaging use of water. Further, I would be extremely concerned that this amendment would also apply to bottled water which again increasingly we have become aware is environmentally damaging and not really an appropriate use of resources. For all of those reasons I will not be supporting the amendment in respect of water. On the other part of the amendment to do with books particularly, I will not be supporting it on this occasion because I do feel that we are in a situation where we do not have enough information. I do have concerns that have been expressed by others about the effect on local booksellers. I would certainly ask the Minister for Treasury and Resources and the Minister for Economic Development to look into this issue because it seems to me that, yes, like others I get many of my books from Amazon. It seems to me that it

would be a very poor culture that we would leave ourselves with in Jersey if we did not have bookshops on the High Street into which we could go with our children and so on to encourage them to read more widely than perhaps they can obtain from merely books at school or even books at the library. I think this is an issue that I would certainly like to see further research on. For that reason, because I would like to see further research and I have not received that research, I will not be supporting that part of the amendment either.

4.1.7 Senator P.F.C. Ozouf:

A number of Members have certainly dealt with Norman economics and the flawed approach that Senator Norman takes to economics but let us examine his social track record. He said in his opening remarks ever so nicely that water should not be any more expensive than it needs to be. Senator Norman said that he had been a director of Jersey Water. If he cares so much about water not being any more expensive than it need be perhaps he could explain to the Assembly in his concluding remarks why as a director of the Jersey Waterworks - no less a States director - he allowed a situation where water charges are still on the 1990 rates assessment which means that all parishes that had high rates assessment, no criticism of the parishes at all here because that is the way they did it ... why the Jersey new waterworks company continues to charge water rates on the 1990 rates assessment which means that those parishes with a high rateable value, mainly those parishes that had the curse of the high rating system, they are the ones with a high rateable value. It is still the case that Jersey Water is charging the urban parishes more than the country parishes. Why did Senator Norman not sort that out when he was on Jersey Water? Why did he not argue for more meters in terms of charging water as opposed to rateable value? If he cares so much about water perhaps he would explain. No, I am afraid, Senator Norman, your Norman economics do not work and your social policies do not work either. In relation to newspapers and books, Senator Kinnard is right to ask questions about whether or not the booksellers on King Street and Queen Street can continue to work in the context of G.S.T. I personally think that 3 per cent is not going to make that tipping point difference between a mother and a child going into a book store or not. I really do not think that it is 3 per cent but we will look at it. Of course the substantive reason is, and I am not going to endear myself to the managing director of the Guiton Group, because at a recent Chamber of Commerce meeting with Ministers and other politicians last week the managing director - it was not reported - claimed that circulation of newspapers was down and gave a figure of the amount of money that had been lost by that company. I do not have the full information about newspapers. I think we need the full understanding of whatever that figure is with the uplift in price of the cover price of the J.E.P. (*Jersey Evening Post*). If we were to agree to this would the J.E.P. fall in price for it to be at the point of the vendor 45 pence? The reality is that there are some other newspaper vendors who are absorbing the tax. They are taking the full V.A.T. price on V.A.T.-able items and they are cross-subsidising newspapers. I think we need a lot more information to be persuaded to do away with G.S.T. on newspapers and books. I am happy to look at that. Perhaps we need more outlets and more awareness of those vendors who are absorbing the tax. No, both of these amendments should be thrown out.

4.1.8 Deputy C.J. Scott Warren:

It is my belief the Council of Ministers has well and truly let the genie out of the bottle regarding G.S.T. I agree with a previous Member. Our water does need to be conserved. I would be interested to know how the U.K. does or does not include V.A.T. on domestic water. I have never, Sir, believed that books, including education material and newspapers, should be taxed. Sir, I feel that because I have always supported the exemptions brought to this House and because I do worry about the effect with many people here I am sure do use the internet to order lots of items but certainly books. I think many more people will do so now. I do worry about the local shops suffering losses and closing. As importantly, there is also a moral issue here to taxing reading and basically taxing learning. Therefore, I presume these are going to be taken in 2 separate parts and I will be supporting the second part.

4.1.9 Deputy J.B. Fox of St. Helier:

When we started out we were all against G.S.T. We looked at every other alternative and found out that this was the least painful option. It was simple; it was going to be manageable. It was 3 per cent, first of all guaranteed for 3 years then possibly 5 years. Then we started looking around the world and we found that the ones who kept it simple, kept it on 3 per cent, 5 per cent or whatever and some of the others went as high as 40 per cent and even then still managed to charge about 8 per cent for things like the things that we are talking about exempting now. At the end of the day when it was simple it was still painful but we had the Treasury come up with 3 simple things that would provide a fair degree of safeguards for the low income support for those that were not in the income tax bracket and, of course, the Treasury could adjust any allowance in income tax to as high as or as low as was deemed required in order to soften the blow. The biggest advantage of course is 3 per cent across the board is a lot less painful than having all your exemptions and then after that saying: "If I want another £45 million, I just put up G.S.T. by another 3 per cent." It will not be that long before it will go up to 17 and a half per cent. Then certainly the retailers will not be absorbing any G.S.T. costs because a lot of the items will be at 17 and a half per cent. Yes, there will be some and there will still be the continuous arguing about what is and what is not. Ever since my water supply went on meter as opposed to on my rates, I can identify instantly that I am saving quite a lot of money. But also I think about it. My teeth are very clean but they do not have running water. No, I have not stopped washing. **[Laughter]** I just use it. I also use solar panels which I can talk to you about as being very successful this summer. I have not used an ounce of oil or electricity since April for my hot water. It was a very good improvement on the alternative energies that we should all be looking at, et cetera. I think this has gone beyond the stage of looking at more and more exemptions. I think we have to put a cap on it. I shall be voting no to these because it is going on and on and on and looking forward to Deputy Le Fondré's debate **[Approbation]** in 2 weeks' time because it might put some common sense back into it.

LUNCHEON ADJOURNMENT PROPOSED

Senator S. Syvret:

I do not know if many other Members wanted to speak so I will propose the adjournment now.

The Greffier of the States (in the Chair):

I think we need to adjourn, yes, and reconvene at 2.15 p.m.

LUNCHEON ADJOURNMENT

PUBLIC BUSINESS (continued)

The Greffier of the States (in the Chair):

Perhaps I could announce to Members from the Chair that they will find I think in their pigeonholes a report from the Privileges and Procedures Committee giving the dates of the meetings of the Assembly in 2009. Very well, the debate resumes on the third amendment of Senator Norman. Does any other Member wish to speak?

4.1.10 Deputy S.C. Ferguson:

First to correct a few fallacies. Car washing plants normally recycle water which is why it is better to go in on changeover day because then you get the clean water to wash your car. The jury is still out on the deep groundwater because there is more work to be done. I would recommend everybody to convert to a water meter because my bill dropped by 40 per cent. Not totally relevant to the debate but these were all fallacies which were ... Deputy Southern commented on the books. Why are E.S.C. (Education, Sport and Culture) not in fact consulting with Procurement to get better prices and have more centralised purchasing? In the U.S. (United States) I paid sales tax on books and student books were subsidised by the university. Frankly I have not heard anyone or anything to make me change my mind. I will be voting against this too, Sir.

The Greffier of the States (in the Chair):

I call on Senator Norman to reply.

4.1.11 Senator L. Norman:

I have not really much to say except I was disappointed that Senator Ozouf decided to use this opportunity to make an attack on the record of the water company, Sir, which I was a director of until about 2 years ago. I think it is just worth reminding the Senator and the States that over the last 20 years the price of water from that company has reduced in real terms almost each and every year. Price wise it has been well below the rate of inflation. Also because of good and sensible investment the quality of water has been of a very high standard but equally important it has been constant and continuous. During that last 20 years there has been no rationing and I think one, perhaps 2, hosepipe bans at the height of the season. That is a record the water company I think can be proud of and, as a major stakeholder, the States should be proud of too compared to what has happened in the United Kingdom where consumers are now looking at double digit percentage increases in water rates for the foreseeable future. Despite their much greater supply of water and storage capacity there are many places in the United Kingdom which suffer water shortages year after year after year no matter how much rain falls. I do take his point that paying by rateable value is not the most equitable way of charging for water. It is similar to what happens in the United Kingdom. It is not perfect. It is not as bad as the U.K. V.A.T. system. It is not perfect. That is why the water company many years ago decided they would move everybody over to meters in due course. It is not something you can do all in one go but it is gradually happening. More and more people are moving on to meters. I think the water company has a good record and the criticism that was levied was unfair. Sir, Senator Syvret said he could be inclined to support this if it related only to domestic premises. That is not really necessary because the majority of commercial premises, including hotels, and indeed car washes in particular, all use their own private supplies through boreholes and so on. Even the hotels that use water company supplies will use it for their hotel but not necessarily for their swimming pools. At all these commercial premises the water is used for the same purposes as are used in domestic premises; for drinking to sustain life, for cleaning and for sanitary purposes. Even if you think in this building I imagine the majority of water is used for cleaning, drinking and sanitary purposes, exactly the same as goes on in our own homes. If we are going to regard this natural resource as something that should not be taxed it is quite right that it should not be taxed at all, no matter what type of premises are being used. Newspapers, books and magazines, there is not much to say on that. People will make up their own minds whether we should continue to tax knowledge. I am grateful to the advice of Senator Vibert that I should shop around for my newspaper to those who do not charge G.S.T. The truth is of course every retailer charges G.S.T. What they do is reduce their base price and charge a lesser amount of G.S.T. We are in fact paying G.S.T. whether we pay 50 pence for a newspaper or 52 pence. That is a matter of conscience for Members. I maintain the amendment and ask for the appel individually please, Sir. We will take it in 2 parts.

The Greffier of the States (in the Chair):

Yes, very well. The amendment will be taken in 2 separate votes. I shall ask Members to regain their seats. I think it is the air display and not what the Deputy of St. Mary was worried about this morning. **[Laughter]** The first vote, therefore, is for the exemption on water.

POUR: 8		CONTRE: 34		ABSTAIN: 0
Senator L. Norman		Senator S. Syvret		
Connétable of St. Clement		Senator F.H. Walker		
Deputy G.C.L. Baudains		Senator W. Kinnard		

(C)				
Deputy J.A. Martin (H)		Senator T.A. Le Sueur		
Deputy G.P. Southern (H)		Senator P.F. Routier		
Deputy D.W. Mezbourian (L)		Senator M.E. Vibert		
Deputy S. Pitman (H)		Senator T.J. Le Main		
Deputy K.C. Lewis (S)		Senator J.L. Perchard		
		Connétable of St. Mary		
		Connétable of Trinity		
		Connétable of St. Lawrence		
		Connétable of Grouville		
		Connétable of St. Brelade		
		Connétable of St. Martin		
		Connétable of St. John		
		Connétable of St. Saviour		
		Deputy R.C. Duhamel (S)		
		Deputy J.J. Huet (H)		
		Deputy of St. Martin		
		Deputy P.N. Troy (B)		
		Deputy C.J. Scott Warren (S)		
		Deputy R.G. Le Hérisier (S)		
		Deputy J.B. Fox (H)		
		Deputy S.C. Ferguson (B)		
		Deputy of St. Ouen		
		Deputy of Grouville		
		Deputy J.A. Hilton (H)		

		Deputy J.A.N. Le Fondré (L)		
		Deputy of Trinity		
		Deputy S.S.P.A. Power (B)		
		Deputy A.J.D. Maclean (H)		
		Deputy of St. John		
		Deputy I.J. Gorst (C)		
		Deputy of St. Mary		

The second vote will be taken on 3(iv) which is relating to the exemption on newspapers, books and magazines.

POUR: 12		CONTRE: 30		ABSTAIN: 0
Senator S. Syvret		Senator F.H. Walker		
Senator L. Norman		Senator W. Kinnard		
Connétable of St. Clement		Senator T.A. Le Sueur		
Deputy G.C.L. Baudains (C)		Senator P.F. Routier		
Deputy C.J. Scott Warren (S)		Senator M.E. Vibert		
Deputy R.G. Le Hérisier (S)		Senator T.J. Le Main		
Deputy J.A. Martin (H)		Senator J.L. Perchard		
Deputy G.P. Southern (H)		Connétable of St. Mary		
Deputy of Grouville		Connétable of Trinity		
Deputy D.W. Mezbourian (L)		Connétable of St. Lawrence		
Deputy S. Pitman (H)		Connétable of Grouville		
Deputy K.C. Lewis (S)		Connétable of St. Brelade		
		Connétable of St. Martin		
		Connétable of St. John		

		Connétable of St. Saviour		
		Deputy R.C. Duhamel (S)		
		Deputy J.J. Huet (H)		
		Deputy of St. Martin		
		Deputy P.N. Troy (B)		
		Deputy J.B. Fox (H)		
		Deputy S.C. Ferguson (B)		
		Deputy of St. Ouen		
		Deputy J.A. Hilton (H)		
		Deputy J.A.N. Le Fondré (L)		
		Deputy of Trinity		
		Deputy S.S.P.A. Power (B)		
		Deputy A.J.D. Maclean (H)		
		Deputy of St. John		
		Deputy I.J. Gorst (C)		
		Deputy of St. Mary		

5. Goods and Services Tax: exemption or zero-rating for foodstuffs and domestic energy - amendments - second amendment (P.103/2008 Amd. (2))

The Greffier of the States (in the Chair):

It is slightly more difficult to read the votes after the system has been reset but I think we got them all. Thank you, Greffier. We come now to the amendment of Deputy Pitman, the second amendment. I ask the Greffier to read that amendment.

The Deputy Greffier of the States:

Page 2, paragraph (a) - After sub-paragraph (ii) insert the following new sub-paragraph - school uniforms.

5.1 Deputy S. Pitman of St. Helier:

My words on this subject will be brief for I feel the case for supporting this amendment to exempt the purchase of school uniforms from G.S.T. is as simple and straightforward as it is inarguably right, at least for any government to which the principles of fairness and morality are important. Indeed, Sir, I bring this amendment out of the same concerns about the hypocrisy that I have seen in a government preaching to the public about how they should ensure to eat 5 portions of fruit and vegetables a day, then simultaneously penalise them for struggling to do so by imposing an additional tax. Sir, the placing of G.S.T. upon the purchase of school uniforms is just the same. Let us not delude ourselves, it is also effectively a tax on education. We demand that parents

ensure their children are smartly turned out and comply with school regulations on dress code. We insist upon this. How then can we justify subsequently demanding parents for which making such expensive purchases is a real financial struggle pay out even more? The answer is simple in my view. We cannot. Sir, as we in the J.D.A. (Jersey Democratic Alliance) have contended since even before the present House was elected, G.S.T. is in our view both unnecessary and immoral. We should not even be having this debate in a climate of spectacular budget surpluses and the Minister for Treasury and Resources' total indifference to pursuing 1(1)(k) for even the standard benchmark taxation that they should be contributing. Within this speech, Sir, I cannot avoid mentioning the Minister for Treasury and Resources' truly bizarre claim some months ago that it was possible for a parent to clothe a child for only £150 a year. Perhaps the Minister is genuinely not aware of the facts but as the figures obtained from a mother in my constituency, outlined within this proposition, illustrates the cost of kitting out a child at primary school with the demanded apparel is £160. This quote considers only the absolute bare minimum of clothing items required for a 5 to 6 year-old girl and the costs incurred are the cheapest that I have found in the Island. As the amendment points out, once a child reaches secondary school the size, range and obviously cost of uniform articles required increases considerably. Sir, we, the Government, demand parents find the monies to purchase these items to dress and kit out their children to attend our schools. Can it really be justifiable that we then also hit them with a tax for the privilege of complying? I contend that it is not. In light of alternate measures available to the Treasury to raise money to offset the loss of the exemption, .e.g. the removal of the exemptions on the building of conservatories and swimming pool maintenance, I ask the House to support this amendment. I make the amendment, Sir.

The Greffier of the States (in the Chair):

Is the amendment seconded? **[Seconded]** Very well.

5.1.1 Senator M.E. Vibert:

I appreciate what Deputy Pitman is trying to achieve. I just think that what is being proposed is totally impossible. It is not a simple amendment. We have talked about trying to keep G.S.T. as simple as possible. This is about as complicated as you can get because how would you define school uniform?

Deputy S. Pitman:

Can I give a definition, please?

The Greffier of the States (in the Chair):

Very briefly if the Senator will give way.

Deputy S. Pitman:

If you look at the amendment, I have defined school uniforms.

Senator M.E. Vibert:

Yes, Sir, the Deputy has and got it totally wrong I am afraid. If all items of school clothing were immediately recognisable as pertaining to individual schools the difficulty might not be so significant. But the vast majority of school uniforms consist of generic items of children's clothing: white shirt, grey socks, white blouse, grey skirt, et cetera. Of course they are not limited to just being worn at school. I can understand why and in the past, I think it was Deputy Lewis, put in children's clothing because though they had problems it was capable in some ways of being defined. School uniform I think is virtually impossible. It is interesting that I asked the G.S.T. manager in the States Treasury and Resources Department does this happen. I believe he has quite a wide knowledge. He is not aware of any jurisdiction in the world which currently provides an exclusion in respect of school uniform. Perhaps that is unsurprising given the difficulties I have referred to in providing a definition of school uniform that could have proper legal effect. What would it require? The purchaser saying I am buying this pair of grey socks because they are going

to be used at school rather than used at any other time. I do think unfortunately that this proposition or amendment is fatally flawed. I think that it is not feasible and realistic to adopt it. It would just cause enormous problems. I just cannot see, and the proposer in proposing the amendment did not illustrate in any way, as to how this would be feasible. Even on the costings that the Deputy laid out, if G.S.T. was passed on by the retailer - and I will refer to that - it would be about £4.50 to £5 per child a year. Of course those on low income would have the benefit of low income support to help them. The fact is that the major retailers you will find the ones that have shops in the U.K. and shops in Jersey the prices are the same so G.S.T. is not being passed on, on many of the items of school uniform. We try to keep school uniform costs as low as possible. I think this would be an impossible amendment. For that reason, Sir, I cannot and I urge Members not to support it.

5.1.2 Senator T.A. Le Sueur:

Yes, Sir, I agree with the last speaker that it was bad enough trying to define children's clothing; trying to define school uniforms is going to be virtually impossible. I stand to speak, Sir, just to correct a couple of points in the proposer's report. She suggests first of all that G.S.T. is not charged on the building of conservatories or on swimming pool maintenance. That is incorrect. G.S.T. is charged on both those items, provided the supplier is registered for G.S.T. in the first place and that the supplier's turnover exceeds £300,000 a year. Secondly, she suggests that there is preferential treatment for 1(1)(k) residents of whom she thinks there are nearly 1,000 people. I put a note there; if only. There are, I think, 158 1(1)(k) taxpayers at the current time and any new 1(1)(k) taxpayer does have to comply with the Jersey income tax law as amended a few years ago. That, Sir, is just by way of detailing in case any Members believe the report to be correct. But the main point about this debate, Sir, is that school uniforms as well as being yet one more weapon for those who want to get rid of G.S.T., this is a totally unworkable, indefinable proposition.

Deputy G.P. Southern:

Can I just ask a point of clarification from the speaker, Sir? He just mentioned I think 158 1(1)(k)s. Does he know something I do not because it was 149 yesterday?

Senator T.A. Le Sueur:

I am sorry, Sir, I will happily take the Deputy's answer of 149 I think I gave him yesterday myself but it is certainly far less than 1,000.

5.1.3 The Deputy of St. Ouen:

I would just like to point out to Deputy Pitman that obviously this issue has been considered before in this Assembly, and in fact as recently as last year in the budget we agreed to increase child allowance by 20 per cent for 2008 from £2,500 to £3,000 for the basic allowance for each child and from £5,000 to £6,000 for each child of parents with children at university or in further education. I believe that although perhaps individuals have not presently benefited from that decision, from next year those parents that have experienced the additional costs in relation to children's uniforms will gain from last year's decision.

5.1.4 Deputy G.P. Southern:

Again the Minister for Education, Sport and Culture leaves me somewhat confused in what he is doing in education in particular. First of all he wants a tax on knowledge and now he wants a tax on uniforms which I believe he supports as an important factor in bringing up children with proper respect, et cetera. Then he says how are we going to decide what is a school uniform and what is not a school uniform? I would have thought that most schools, if not all schools, at the beginning of any term or when you get there, they provide a list of this is the acceptable school uniform. I ask the Minister for Education, Sport and Culture as he is walking home tonight and as he passes children of school age in the street, how many pairs of smart charcoal trousers or grey jumpers does he see on the children who are dressed for fun and not returning from school? The fact is it is a

very simple, very easy thing to identify what constitutes a school uniform and what does not. It is not a question of how can you justify that they will be wearing it out of school. There is a list provided in almost every school. It is not just the black blazer with the gold braid or the grey blazer with the pink trimmings. It is the sweatshirt and dark trousers that are required in schools. The impact of that, while the cost of the black blazer with the gold trim is substantially more than that of the sweatshirt, nonetheless, again with this regressive tax, G.S.T., in every aspect the damage is done at the low earning end. The poorest pay relatively more. So I will be supporting this exemption since we are exempting all sorts of things. For example, we can exempt school fees but apparently not school uniforms. Consistent? Inconsistent? You make your mind up. I think that is very inconsistent. I will be voting for this exemption of this nasty, regressive little tax.

5.1.5 Deputy G.W.J. de Faye:

We all went to school. I am very pleased to say I was a scholarship boy at Victoria College, a school that unlike others has not had to be rebuilt lately. **[Laughter]** I was proud of my uniform, Sir. It was a black blazer with an embroidered breast badge and junior boys used to wear their school cap with the appropriate house colour. I can reveal to the Assembly and to the States that an unfortunate occurrence occurred at Victoria College with a change of headmaster. The names are immaterial. It was decided to change the look of the Victoria College blazer. I can reveal to Members that I was one of a core group of protestors who encouraged the entire school to stay out on the front lawn and refuse to go back to class in protest at the gold trim. Sir, I was against the gold trim on Victoria College blazers at the time and I remain opposed to it now. **[Laughter]** I am delighted that if nothing else they are getting taxed. **[Laughter]** I will not stand by and let them not be taxed. I oppose this.

5.1.6 Deputy C.J. Scott Warren:

I believe that like our recently adopted U.K. V.A.T. role model we should have exempted all children's clothes. I do appreciate there are going to be problems in certain shops whether something is a blouse or shirt bought for school activity or just said to be bought for that. But because we are going down this road now I will support this amendment.

5.1.7 The Deputy of St. John:

I think Deputy Pitman's intentions here are well meaning. There are clearly families in the Island that, certainly when they have more than one child, it is a legitimate expense that to some is difficult. I think her intentions are well meaning but, as the Minister for Treasury and Resources said, this type of exemption I am afraid is widely open to fraudulent transactions, particularly in the U.K. where you have children's clothing exempt. I think we should be very mindful of that. If Deputy Pitman really wants to redirect some funds to assist such families there are better ways of doing it. For starters I am very surprised that no children, particularly our 16 year-olds that can now vote, have not come out and said: "Hang on, why are we wearing a school uniform anyway? They do not in America. They do not in France." I am sure lots of parents would cringe at the idea, but that is a thought perhaps because it is one of the few places in Europe that still has compulsory school uniforms. There are other ways. I have just kitted out my son to go to secondary school from the seconds shop. There are routes to do it but I should not say that necessarily we have to force parents down that route. They should be able to afford it in the first place by other means. If the Deputy really wants to take a stand on this - Deputy de Faye has already mentioned it and he is quite right to a certain extent - why should we exempt those that can clearly afford to send their children to our fee-paying schools? Those same middle classes are already receiving a massive subsidy from the States which is not means tested to send those children to those schools, which should be looked at. If the Deputy really wanted to redirect funds she could redirect £5 million from that area by not continuing to subsidise our middle classes to send their children to the fee paying schools, which I think is something we should be looking at

from a means-tested perspective. That is the sort of issue we should be looking at, not these complicated issues of exemptions.

5.1.8 Senator S. Syvret:

Just to make a brief observation, it is not really to do with the debate, but I do not think it is advisable for Members generally to mention the accoutrements and clothing of their particular children in the Assembly and the public domain in this way. I think those should be left out of it.

5.1.9 Deputy A. Breckon of St. Saviour:

Just a couple of comments. I think this is doable. If parents had a list and went to a shop and they did charge G.S.T., they can send their child to a certain school and list what particular things were required for. Thinking back when the kids were at school most of the school clothes we get from the U.K. and they were about half the price they were here. That is something that some Members perhaps may apply their minds to. The other thing is that what this would do if the House did approve it - and it probably will not - is that it would help those who are perhaps worst off and cannot afford to go to the U.K. or shop in the U.K. or maybe do not even have access to the internet. It would help those people. Do we really want to be taxing them on essentials for their kids? I would say we do not.

5.1.10 The Deputy of St. Mary:

I would just like to add a personal note to this because obviously I have one child still in school uniform. I have just done the kitting out of them like the Deputy of St. John. The vast majority of school uniform, whichever school, is generic: the white blouse, the black trousers, the grey trousers, the socks, whatever. It does not require a specific supplier. All the generic items that came for my daughter's uniform were at the basic price. There was no G.S.T. added to them. There are multiple shops here that do not apply it. That is just a personal note. There is a way round a lot of it. We have to be mindful of the complexity versus the benefit. I would also like to say that at the Fiscal Policy Panel briefing last week - for the benefit of the Members that were not there - completely out of the blue somebody asked a question about exemptions and they said you can look at how exemptions have benefited the population. Out of the blue they said, for example, there has been a study done on exempting of school uniform and it has shown that it does not make the school uniform any cheaper. I am sure that was what was mentioned at the Fiscal Policy Panel. That is just by the by. But certainly for all of the items that are in - I have only a girl's uniform - the first column on Deputy Pitman's appendix, I obtained all of those without any G.S.T. added so how this would benefit the average parent I fail to see.

The Greffier of the States (in the Chair):

I call on Deputy Pitman to reply.

5.1.11 Deputy S. Pitman:

I would firstly like to say that I am constantly surprised as to how much Members of this House are disenfranchised with the ordinary member of the public. That is especially shown by Deputy de Faye in his speech. To address Senator Vibert, I put forward a definition of what is or is not an item of school clothing. I believe - you can correct me - that schools do have lists of what is or is not a uniform. I believe what he says is an excuse to keep in line with the Council of Ministers' stance and I feel, as Minister for Education, Sport and Culture, he should be absolutely ashamed for not supporting this. As much ashamed as he should be when he supported the proposition on students being paid under the minimum wage. Deputy Reed: Deputy Reed forgets that you have to be very poor in Jersey to receive any childcare allowance. With the increases in food of late and the high cost of living and then G.S.T., it has hit people very hard who do not get child allowance. And Senator Le Sueur: I have to say, firstly, that was a mistake in the proposition. It was 90 to 100 1(1)(k) residents and I now learn that it is 135. I have found out that I am even wrong about the swimming pool maintenance and the conservatories. But then I learn that we have recently had a

£38 million surplus and plus the Treasury have found out that G.S.T. will raise £5 million to £10 million more than originally raised. Thank you, Sir, and I call for the appel.

The Deputy of St. Ouen:

As a point of information, I would just like to confirm to everybody - including Deputy Pitman - that child allowance is available to every individual and person that has a child, no matter what income they have.

The Greffier of the States (in the Chair):

If you are referring to taxation, Deputy, yes. Very well, the appel is called for and the amendment of Deputy Pitman in relation to school uniform.

POUR: 11		CONTRE: 36		ABSTAIN: 0
Senator S. Syvret		Senator F.H. Walker		
Senator F.E. Cohen		Senator W. Kinnard		
Deputy A. Breckon (S)		Senator T.A. Le Sueur		
Deputy C.J. Scott Warren (S)		Senator P.F. Routier		
Deputy R.G. Le Hérisier (S)		Senator M.E. Vibert		
Deputy J.A. Martin (H)		Senator P.F.C. Ozouf		
Deputy G.P. Southern (H)		Senator T.J. Le Main		
Deputy P.V.F. Le Claire (H)		Senator J.L. Perchard		
Deputy D.W. Mezbourian (L)		Connétable of St. Ouen		
Deputy S. Pitman (H)		Connétable of St. Mary		
Deputy K.C. Lewis (S)		Connétable of St. Clement		
		Connétable of Trinity		
		Connétable of St. Lawrence		
		Connétable of Grouville		
		Connétable of St. Brelade		
		Connétable of St. Martin		
		Connétable of St. John		

		Connétable of St. Saviour		
		Deputy R.C. Duhamel (S)		
		Deputy J.J. Huet (H)		
		Deputy of St. Martin		
		Deputy G.C.L. Baudains (C)		
		Deputy J.B. Fox (H)		
		Deputy S.C. Ferguson (B)		
		Deputy of St. Ouen		
		Deputy of Grouville		
		Deputy of St. Peter		
		Deputy J.A. Hilton (H)		
		Deputy G.W.J. de Faye (H)		
		Deputy J.A.N. Le Fondré (L)		
		Deputy of Trinity		
		Deputy S.S.P.A. Power (B)		
		Deputy A.J.D. Maclean (H)		
		Deputy of St. John		
		Deputy I.J. Gorst (C)		
		Deputy of St. Mary		

6. Income support, food costs bonus, income tax allowances and/or exemptions – increases to offset GST on foodstuffs and domestic energy (P.138/2008)

The Greffier of the States (in the Chair):

Very well, the amendments have all been rejected and, therefore, the debate resumes on the proposition of the Deputy of Grouville as originally proposed this morning. Deputy Le Fondré.

6.1 Deputy J.A.N. Le Fondré:

I would like to start, Sir, by congratulating the Deputy of Grouville. I am pretty sure, whatever happens today, she will have instigated a process by which an extra £5.8 million will be returned to the public but the only difference we share is what is the best way? Like a number of other

Members, I strongly believe that we should be finding a way to assist the population with the significant worldwide increases in fuel and food prices. However, I do not believe that exempting food and fuel from G.S.T. will target those who have the most need. Now that we are debating the main proposition the main choice for Members is either to vote for this and exempt food and fuel, or vote against this proposition but support mine next week.

Deputy A. Breckon:

I would like to seek a ruling from the Chair. What is the Standing Order on presumption of a forward proposition - speaking to it?

The Greffier of the States (in the Chair):

There is no longer any particular Standing Order. Obviously, what the Member says must be relevant to the debate under question. I think, for the purposes of what is before the Assembly, for Members to say that this proposition should not be supported because there is a better one later I think is possibly in order. Obviously, Deputy Le Fondré must not propose or tell us every in and out of his proposition, but I think it is perfectly reasonable in debate to say: "I will not support this because I support Deputy Le Fondré."

Deputy J.A.N. Le Fondré:

Presumably, I can add why, Sir. Thank you, Sir. I would just add for clarity, I did try to bring an amendment but, unfortunately, Standing Orders do not permit an amendment that would, effectively, negate the original proposition. So I am afraid it is procedure that has put us into this position. So why did I look for a better way? Because I do not feel that this proposition targets those in most need of assistance, let alone the fact it introduces huge complexities into the G.S.T. system itself. I feel we can use our existing systems to much better effect, achieving a far more equitable result, and my proposal, Sir, is to use 3 systems available to us, namely: income support, the G.S.T. rebate scheme and tax exemptions or allowances - I prefer exemptions - to achieve an equitable result. But that means we could get more money to those who are less well off than they would receive from exempting G.S.T., and middle earners would benefit as well. Now, one of the problems we have got with this whole situation, as far as I am concerned with the public perception on all of this, is that they have not recognised the imminent introduction of the G.S.T. rebate scheme which is designed to target those individuals who do not get income support and who do not pay tax. Therefore, we do, as of now, have systems in place that can target the entire population. In my view, let us allow those systems to work. Let us get them properly working and let us give them money back in the right way, and that is the crux of the matter before us today. I make no apologies for going slightly over old ground but, going back to the results of the original G.S.T. consultation from a few years ago, and, again, to quote from the Council of Ministers' comments and Senator Norman's amendment: "When the public were originally consulted on G.S.T. as part of the fiscal strategy, their overwhelming response was that they wanted a simple system of G.S.T. with a single low rate and few exemptions which would be cheap to administer." If we adopt this proposition, we throw all of that out and we adopt - again, to quote the Council of Ministers' own comments: "An archaic V.A.T. system which is universally regarded as the worst and most complex V.A.T. G.S.T. system scheme in the world." So why have the arguments suddenly changed? Yes, worldwide food prices and fuel prices have gone up. That is an increase, a change in the quantum of the argument but not the quality of the argument. The complexity of food exemptions, plus the benefits to the better off, plus the bureaucratic costs are still valid arguments. We are buying into a system that thinks an iced bun or a jam donut should not be taxed but that a chocolate biscuit should be. I do not intend to dwell too long on the absurdity of the U.K. V.A.T. rules but, again, to remind Members of matters raised in previous debates, even earlier today. It is not just about taxing food, it is about whether we want a simple system and the relevant impact upon small businesses. The U.K. rules just do not impact only on pet food; they impact upon chemists because they also sell food; they impact upon garden centres because they will have

to distinguish between tomato seeds and seeds for growing geraniums. Do not underestimate the impact this will have on all businesses or this will have on the Island. There are about 70 to 100 outlets, at least, that could be affected by this. That is 60 to 70 registered businesses that have just completed their first G.S.T. return who may now face the prospect of changing their entire systems and getting their heads round the complexities of what is and what is not zero rated under the food rules. That will inevitably mean more fees for accountants and tax advisers and maybe I should be saying "Yippee". However, despite this, even the accountants consider this proposal to be irrational. I have had a number of conversations on this and my understanding is that there are a quite a number of businesses out there that are not happy with this U-turn. These will be medium sized and small businesses, those that still make a huge contribution to the atmosphere that gives Jersey its appeal. Deputy de Faye was quoted in the J.E.P. as calling this a disgraceful U-turn by the Council of Ministers in a speech to the Chamber of Commerce, and as being roundly applauded. That does not sound like a warm endorsement of the idea of introducing exemptions for food. That sounds like a preference for letting the existing system carry on for the time being and get it bedded down before we start throwing huge chunks of it out of the window. I think we do need to touch on the compliance costs of this position for exempting food. There are Members who still think this is absolutely straightforward, that all we do is cut and paste everything into Jersey law and it is nice and easy. That is not the reality as I understand it. I have been told that the law draftsman will even have to check out U.K. case law to ensure full compliance. But, over and above all that, these proposals will cost us - the States - an extra £300,000 each and every year in administration costs and that, I believe, has been brought as an amendment to the Business Plan. Let us just step back and remind ourselves of what we are trying to achieve here. Food and fuel prices worldwide have rocketed, agreed. Some people are struggling, agreed, and we need to help them, agreed. That is what the main point is all about. At the same time, prudent predictions have resulted in more money than expected. This debate should not be about electioneering or yet another attempt to derail G.S.T. What we must keep remembering is one element of the fiscal strategy package. Yes, G.S.T. is unpopular in certain quarters but we must keep getting back to the principles of simplicity. We are here and now and G.S.T. is in place. The system is settling down. The decision is not whether you like G.S.T. or not, that argument is over. The decision today should be about how we can help people who need that help in the best way; how we can give something back to the people of Jersey? But, remember, we are not starting with a blank piece of paper. We therefore need, as far as I am concerned, an adaptive approach, not a reactive approach; a thoughtful approach that targets money in the right direction and food exemptions do not do this. A lot of work was done on G.S.T. in general by the Corporate Services Panel and I know they were not unanimous on this particular issue. However, the comment in SR72007 on food exemptions reads as follows: "We found that the effect of zero-rating a range of essential items, including basic foodstuffs, would give relatively little benefit to the average low income household." Again, that is not me making it up, that was the comment in that part of the report. I have never heard anything different from anyone in scrutiny that caused me to change my view. The professional advice in scrutiny, the professional advice in Treasury, and I think even of zero, favoured a simple system and did not favour food exemptions because they benefited the wrong part of the population spectrum. Look at it this way: if we are going to give back between £5 million and £6 million, if we are going to give back this type of money, should we be giving the most money to the most well off and less money to the less well off, or should we be targeting the money, getting funds to those who are less well off and also providing a tangible benefit to the middle earners as well? Very briefly, Sir, I have referred to my proposition as being an alternative, a far better alternative, to this proposition. I hope Members have had the chance to read it and the recent addendum. What I am proposing to do is to take the same amount of money from exemptions on food and fuel - which was estimated to be about £5.8 million by Treasury - and to allocate the money proportionately in favour of the less well off. I want as many people to benefit but the less well off to benefit proportionately more. I want to use the existing schemes that we have in place: of income support, G.S.T. rebate scheme and tax exemptions or allowances and, having stated the principles, I want

the Minister for Treasury and Resources and the Minister for Social Security to go away and work out the exact details and come back to this Assembly for approval. If they put their minds to it, the less well off could be benefiting either before Christmas or no later than January, and that is per the Social Security Department and that is sooner than the proposals under the exemption of food. The point here is that this will proportionately benefit the less well off more than the better off and will avoid the high compliance costs for businesses and, in addition, the £300,000 per year that the States will incur. Now, while the rebate system is new - and there are bound to be some problems which need to be ironed out - the principles are sound. They are the first decent proposal to assist those who always get missed, those who do not pay tax and do not get income support. Part of the problem here is P.R. (public relations). People do not know of the system and do not believe they will get help. If my proposition is adopted we could get an extra £140 to £150 of help for those people. I hope Members have had a chance to look at the addendum to the proposition, which shows the profile of the G.S.T. monies that will be gained from zero-rating food and demonstrates that the biggest benefit will be to the most wealthy of this Island. Yet I have also been able to demonstrate that we could get at least £3 per week to people on income support and to people entitled to the G.S.T. rebate, and slightly more to those benefiting from tax exemptions. That targets people far more simply and in a way that means many households will benefit far more proportionately than would be the case under exemptions for food and fuel. Much play will, I am sure, be made of helping the middle earners, by exemption of food. My proposals in P.138 will achieve that as well. If you can increase tax exemptions that will help everyone on the margin rate of income tax - those are the middle earners - it will proportionately benefit the less well off who pay tax, but it will either benefit or leave in no worse a position of those in quintile 4. People in quintile 4 have an income up to about £71,000, in such households. My calculations indicate that the benefit will go above that, depending upon their circumstances. So quintiles 1 to 3 will gain, quintile 4 will benefit to the same degree as they would under food, and we will be giving more money to those who most need it than we would be under exempting food, and that is the choice. As a guide, there are just over 45,000 people who fall below the threshold or who benefit from the marginal rate. But do not take my word for it. If anybody looked at the J.E.P. from 28th August 2008, the former controller of income tax wrote in. The current one cannot give his views - that would be seen to be political - but the former one, a man of vast experience and who has, I am told, a strong social conscience, has called the move by the Council of Ministers a political gesture. He has stuck his head above the parapet. He states that this gesture will give little relief to the poor while exempting all those who can readily afford to pay the tax. That has also been said by members of Time for Change and, personally, I would not expect those 2 parties, if you like - for want of a better expression - to be in agreement on something like this. This is a man, the former controller of income tax, who knows how the system works and who knows the bureaucratic implications of this proposition. The suggestions he makes are not dissimilar to those I am proposing in P.138 next week, although hopefully the Greffier will confirm I was drafting them before I had seen his letter. I think the other thing that comes out of this is the perception of this change of stance by the Council of Ministers. I have to say, thus far, I cannot congratulate the Council of Ministers on the present stance. I find it incredible that more than 2 and a half years after this Assembly was constituted we have a U-turn of such ethic proportions. Members of the public that I have met have been incredulous at this manoeuvre. I will not repeat their exact comments, but to say it is being interpreted as blatant electioneering is putting mildly. My greatest concern - and that seems to be backed up by some of the comments from talkback this Sunday - is that the Council of Ministers has managed to put itself on the same side as those who are using this proposition as a first step to try to destroy G.S.T. as a whole. Where has the rational argument been as to how to properly deal with this matter? How many times have we been told that we are here as representatives and not delegates, to make tough decisions because we are the ones with the better information to make those decisions? I am sure that at least one Minister has made that statement in this Assembly. Tough but rational decisions, sometimes unpopular, that is what it is about. All of a sudden all of the previous very sound points have been thrown aside because, hey, we have got

some elections coming. That is how it is being perceived. If it is electioneering then I think those Members need to ask themselves, quite carefully, as to how this is going to be perceived. To me, the electorate would be quite right to question anyone standing for re-election on their justification for supporting food exemptions when my alternative approach offers a far better solution, especially if P.138 was adopted in the overall package being proposed by Council of Ministers. I consider the electorate to be reasonably clued up and they will spot populist, illogical policies for what they are. My proposals put money in the pockets of those who need it and that can be justified and is a very good position to be supported when on a hustings platform. People will attempt to question the morality of taxing food. They will try to ignore the very many countries that do this already. Some may have different rates but many of those lower rates are higher than our own. Therefore, is it better to give more money to those who need it than would be the result under P.103? Is it better to give less money to the wealthy and more to the lower earners and those on middle incomes - and that will include a lot of pensioners and families - which is the more moral position? It has been argued that, as a proportion of relative incomes, exempting food will benefit the less well off more than the better off. But surely my proposition, which gives them more money, is still preferable. It will achieve a greater benefit, therefore it will achieve a greater proportion of relative income. That is what my proposition does; that is not what this proposition P.103 does. Equally, how can Members claim to have any control over States expenditure if they blow £300,000 per annum at the stroke of a pen, when there is a better way, just because they think it will be popular? That is £300,000 of administration and no benefit to anyone. Therefore, if Members claim to want to have any hope of controlling expenditure, they will not support taking another £300,000 off our bottom line. Sir, to conclude, I have generally talked about the proposition and why it should not be supported. The choice is to reject this proposition and support mine, which is scheduled for next week. That uses the existing systems and better targets the money. It places the detail into the hands of the Ministers for Social Security and for Treasury and Resources. The question is simple: do Members want to put money into the pockets of people that need it, to better target £5.8 million? Do Members want to keep matters simple? That was the promise and, to date, we have kept it. If Members do support this principle, if Members do not want to add £300,000 to our civil service bill - and those are the comments from the Council of Ministers - if Members do not want to add to the frustrations of running a small business, then they should reject this proposition and support P.138 next week. I have maintained my promise to the electorate. I have recognised that circumstances have changed but, rather than reacting emotionally and impulsively, I believe I propose a rational solution. Let us put money into their pockets and I urge Members to reject this proposition. Thank you, Sir.

Senator T.A. Le Sueur:

Before I start my speech, 2 questions of procedure, please. Firstly, would the Deputy of Grouville confirm that she will take the 2 parts - that is part A of her proposition that of foodstuffs and domestic energy - in separate votes?

The Deputy of Grouville:

Yes, and in fact I think it has got to be taken in 3 parts: the Chair will confirm.

The Greffier of the States (in the Chair):

I did ask the Deputy, in the light of your recent email, Minister, whether the Deputy was happy to take part B separately from part A. I understand she is.

Senator T.A. Le Sueur:

Yes, part B but also part 2 of A from part 1 of A.

The Greffier of the States (in the Chair):

Yes, you can vote separately on foodstuffs and separately on domestic energy.

Senator T.A. Le Sueur:

Right. My second problem: has she spoken to part B because I did not hear much about it or will the Deputy be prepared to accept the fact that, in view of the extra revenue, we do not need to bring forward those measures?

The Deputy of Grouville:

I am sorry; I did not hear everything that the Minister said.

Senator T.A. Le Sueur:

Is the Deputy pursuing part B in the light of the comments of the Council of Ministers?

The Greffier of the States (in the Chair):

Part B has been proposed, Minister. Although the Deputy may not have spoken to it, it was part of what was proposed.

Senator T.A. Le Sueur:

Right, very well answered.

The Deputy of Grouville:

I did in my remarks.

6.1.1 Senator T.A. Le Sueur:

It is clear that, faced with the significant increase in the costs of food and fuel, Members have 4 choices before them: the first is to accept the proposition of the Deputy of Grouville in full, as stated; the second is to accept the first part of the Deputy's proposals but to reject the proposals of domestic energy in favour of those of the Council of Ministers; the third is to reject the whole proposition in favour of Depute Le Fondré; and the fourth, of course, is to reject both this one and Deputy Le Fondré's and do nothing about the increased costs of food and fuel. I believe that a response to the cost of food and fuel is required and, therefore, I think the fourth option, although it may be fair in theory, is not fair in practice. I have to say that despite - as I said earlier this morning - having had grave concerns about changing stance, I am prepared to do that in respect of foodstuffs but not in respect of domestic energy. I say that partly because I think it is a step too far and it is creeping into the terms of G.S.T. but also because I fear that, as presently worded, domestic energy would be very hard to define and certainly could not be done in very short order. That lack of clear definition, of itself, is a good reason for rejecting the second part of part A. As I said, it will also require a further delay. But, finally, I believe that it is not the best way forward because, as Senator Syvret said this morning, at a time when we are facing increased demands on a diminishing resource, what we should be doing is trying to conserve that resource and finding ways of improving energy efficiency, rather than encouraging us to spend more money on energy. That is why I believe that the alternative proposals put forward by the Council of Ministers are a better solution to that of fuel than the proposal put forward by the Deputy of Grouville. As far as foodstuffs is concerned, as I said, I am prepared to accept a U.K. style V.A.T. treatment, recognising that this will add to the administrative costs of G.S.T. Not the full amount of £1 million which has been suggested for the whole panoply of exemptions but, as far as G.S.T. on food is concerned, our estimate is that it will require a further £300,000 a year and an amendment to that effect will be in the Business Plan debate next week. Without that additional staff this tax could not be implemented. So it is inevitable that that £300,000 will be required if this law is to be brought in. I know that there have been comments about: "Surely it simply does not require additional staff?" I have to disagree. As soon as you bring in variations, where some goods are liable to G.S.T. and other goods are not, then any supplier making self-assessment does have difficulty in filling in his or her G.S.T. return or it is quite likely to lead to errors. Those errors have to be checked by the G.S.T. office and, if needs be, corrected. Any system which, as I say, has that strict requirement makes life more difficult, particularly I think for the smaller retailers. We have a retail

scheme which is a very useful scheme for small retailers who, at the present time, simply have to add up their total day's takings and calculate the figure and pay tax on that figure because the whole of their takings has been liable to G.S.T. Now they are going to have to analyse and get right every single sale and every single constituent of every single sale. If that does not create errors here and there, I shall be amazed. It has created errors everywhere else in the world and I do not think the Jersey retailers are going to be unique. Furthermore, at the docks we will now have consignments which are special in their nature, some of which are liable to G.S.T. others are not and, again, the declarations on their shipping manifests will have to be analysed to see if they are correct or not as well. So all those matters, inevitably, will add to the administrative costs. That, indeed, was one of the reasons why the desire to keep G.S.T. simple has been one of my paramount objectives throughout the fiscal strategy. It is only with reluctance that I concede that in the particular case of food I will have to compromise between that desire for simplicity with the desire to help consumers. But Members do indeed have a choice now, a choice between the proposition of the Deputy of Grouville and that of Deputy Le Fondré. There are 2 ways of addressing the problem, both in different ways with different consequences at roughly the same cost. It will be up to Members to decide for themselves. There has been comment about the time it will take and all I will say is that if the States pass this proposition this week I will immediately instruct officers to make the necessary instruction to the law draftsman to draft the law, but I cannot guarantee how long that will take nor can I guarantee how long it will take for the educational process of retailers, not all of whom have the wherewithal to apply and acquire the expensive systems which supermarkets can obtain. The Deputy is quite right that our revenue has gone up; she suggests between £5 million and £10 million a year. The £10 million a year has never come from my lips, although it is my department's. The figure that my officers give me is one of between £49 million and £51 million a year, which I concede is greater than the £45 million which I had previously forecast, for reasons which are not entirely surprising. As far as part B of the proposition is concerned, as I say - and as the Council of Ministers makes quite clear - as Minister I am asked to bring forward measures to restore the revenue foregone. As I have said already, the revenue foregone, the £5 million or so which would be lost in part A, is already there and received as a result of additional G.S.T. revenue. So I urge Members to say that part B of this proposition is superfluous and can be rejected; part 2 has a better solution than the one proposed by the Deputy of Grouville. It will be for Members to decide whether, in respect of foodstuffs, they go along with this one which, as I say, apply to energy consumers, or go along with Deputy Le Fondré's proposal which applies to some consumers. So I leave that in the hands of Members but I urge them to reject part A(2) and part B.

6.1.2 Senator J.L. Perchard:

That was a terribly interesting contribution from Senator Le Sueur, the Minister for Treasury and Resources. Members and listeners, I am sure like me, will have detected a tone of disappointment in his speech. I will go no further than that, to say that I think the Minister for Treasury and Resources has acted with complete integrity here and is probably carrying the can for others. Why am I fundamentally opposed to this proposition? Of course I want to cut taxes and give money back to Jersey families, especially now that they all face rising prices. But this, as has been said today and many times before, is not the only way to do that. It is certainly not the best or most efficient way to do that. The Deputy of Grouville's G.S.T. proposals for U.K. listed only food exemptions would, if adopted, cut taxes by in the region, we are told, of £4 million but at a cost of hundreds; we are just told £300,000 in extra bureaucracy, to the tax office and probably the same again, hard to measure, possibly even more in administrative costs for Jersey business, with the greatest burden of that cost falling on small businesses. More red tape. As I say, I am in favour of tax cuts. The States should provide good services at a good price and we should not collect more taxes than we need. But a tax cut that increases bureaucracy and red tape for business and States manpower levels is simply nonsensical. Even if the initial Treasury estimate of £1 million for public and private administration costs was exaggerated, the cost, as I say, will still be huge,

probably in excess of £600,000. Hard to estimate any less. Businesses will have to separate their sales into those with G.S.T. and those without, of course. We must not be fooled by claims that the definitions can be made simple by following U.K. exemption lists. As Senator Norman rightly pointed out before lunch, do Members really wish to operate a complex system like the U.K. system? Does business, other than the big boys, really want to operate a system like this, with the tax office leaning over their shoulder, levying fines whenever they make a mistake? Whatever definition is used we will end up with products that are on the boundary and a vast headache for business. Yes, computer software can take out some of the strain of this but by no means all of it. The tax office will have to check that business has marked prices correctly, looking not just at how much each business has sold but precisely what it has sold. Inevitably, businesses will make honest mistakes and, inevitably, some will attempt to play the system. Members must recognise that businesses, innocent and guilty, will be caught up in these never ending investigations, and what will be described as government intrusion and red tape. So what was supposed to be a simple tax will become a massive administrative burden on Jersey business. Can I ask, as Deputy Le Fondré just did, for what real benefit? The Minister for Treasury and Resources said last November that removing G.S.T. from food will leave Jersey struggling with, and I quote his exact words: “A horrendously complex system without giving real help to the people who need it.” Of course he was right then and those comments, of course, are still right today. Zero-rating basic food will cut taxes by, as I say, around £4 million but, according to the last Corporate Services scrutiny report, the benefit will mean in real terms and - listen to this - less than £1 a week for low income families. Just over £1 a week for the families in the middle and over £2 a week for the better off in our community. Even if we went all the way with the full U.K. style zero-rating of food, plus the zero-rating for domestic fuel and energy, it has been calculated to benefit the poorest by just about £1.60 a week, a loss of income to the Treasury of about £4 million or £5 million with fuel. Yes, of course, every penny counts to low income families but with £5 million surely we could give more than £1.60 or £1.62. If it were fuel, just over £1 to hard pressed families per week? There would be so much money to give them so much more. Rather than messing around with G.S.T., if we really want to help the least well off we have the opportunity soon with Deputy Le Fondré’s proposition next week. We should increase pensions and income support. If we want to help hardworking families we should increase tax exemption thresholds and there is an opportunity with income tax and I.T.I.S. (Income Tax Instalment Scheme). This would of course use our existing taxation mechanisms and would not increase administration for States or business and under 20 means 20, the richest would not benefit so help would be targeted to those who most need it, unlike these zero-rating proposals where the greatest benefit does, unarguably, go to the rich. Sir, I initially when entering the States was unsure about introducing G.S.T. but, having spent time on Corporate Services, studying the fiscal policy 010, and G.S.T., the more I investigated the fiscal policy and tax reforms the more I realised that G.S.T. was the least bad option. But whether to support or oppose G.S.T. would surely I felt and always depended on the simplicity of that tax. But Members need not just listen to me, a relative newcomer. **[Members: Oh!]** They should listen to those who were supporting this proposition when we debated G.S.T. on food last November. Well, the Minister for Treasury and Resources said and I quote: “We have now debated proposals like this and rejected them on 3 separate occasions. It is getting hard to find out just when enough is enough. It is also fair to say that this proposition comes very much at the eleventh hour.” This was Senator Shenton’s proposition: “And I think that it could have serious implications both for small retailers and consumers.” Absolutely, I could not agree more. Well, this is the fifth debate on the same issue. The eleventh hour is long past, G.S.T. is already in place. It would be madness to fiddle with the system now just when business, customers and the tax office are getting used to it. Absolute madness. The Minister for Treasury and Resources also asked last November, in his passionate effort to maintain an uncomplicated system, and I quote again: “Are we really going to lose the chance to have the best, the simplest G.S.T. system in the world? Do we want to follow the lead of the U.K. and have a system which even the U.K. themselves accept is the most horrendously complex in the world?” “This would make the G.S.T. law and compliance

horrendously more complex”, said the Minister. I say not only more complex but pointless. He also said - and I have to remind him - in the House: “To remove G.S.T. from food would ...” Hansard is great by the way. **[Laughter]** It is absolutely fantastic. It is a wonderful read if Members want to revisit that November debate. He also said and I quote: “To remove G.S.T. from food would be to bring in a horrendously complex system which, in effect, gives tax relief to the rich and that it is not the way to help those on low and middle incomes.” What has changed? And the Chief Minister said - Hansard great - in that November debate and I quote: “It did not make sense then and it certainly does not make sense to do it now.” He went on to say: “The more I looked into it the more convinced I have become that zero rating food is anything but simple, anything but desirable and ultimately will be anything but popular.” **[Laughter]** “The more I look into it”, says the Chief Minister, “the more convinced I have become that it would be a costly nightmare for the States, the small businesses and for the public.” Again, I completely agree with the Chief Minister. But now we are told that the Council of Ministers - even the Minister for Treasury and Resources himself - supports this proposition. Fundamentally, what has changed? I say nothing has changed at all except the way the Chief Minister and the Minister for Treasury and Resources and some of the Ministers are going to vote. Nothing else has changed, only the way these people are going to vote. **[Approbation]** Yes, food prices have gone up but Jersey has always had high food prices. We have heard that time and time again by the supporters of zero rating, every time we debate this issue, in fact. Eggs have gone up by 33 per cent and meat by 22 per cent and cheese, fresh fruit and vegetables by 15 per cent. Is removing 3 per cent G.S.T. from food really going to make a huge difference? Back in 2006 when we debated this issue for only the third time, the Minister for Treasury and Resources said to Members: “Please, please do not be swayed on this tide of emotion or misplaced compassion.” Today I say to him the same. The compassion, while genuine, is still misplaced. This is not a good way to help those who need financial support, Minister. No, I am afraid this will be seen by some as electioneering and by others as cheap jester politics. While the Council of Ministers may have turned to jelly, which is bad enough, what the real tragedy behind the shameful U-turn is that these exemptions, if adopted, will harm needy families. Removing G.S.T. from food will cost millions of pounds, £4 million in lost taxes and more in bureaucracy, money that could and should have been used in much better ways to help Jersey’s hard pressed families. There is no getting away from this. I do not wish us to bank the £5 million, stash it away in the strategic reserves. I want to target it to those who need it and give it back to the people in a prudent and sensible manner. It would be much more, so much more, effective to increase social security contributions and pensions for the poor, and to raise the income tax threshold for those on middle incomes. That was the message being promoted by our esteemed Ministers then as the best way to help hard pressed families at the time of our last debate. It is, I maintain, the best way to help them now. To conclude, Sir, this series of propositions for exemptions from the standard 3 per cent rate is not a good way to cut taxes and it is not a good way to help the less well off. In return for a few favourable headlines today and a few votes in the autumn elections, it will saddle the Island for decades with a complicated, expensive, inefficient tax system. I ask Members to disregard the extraordinary comments from the Council of Ministers on this subject and, unlike them, show leadership, have the courage to do the right thing. Stand up and be honest with yourself and, most of all, be honest with those that you represent. **[Approbation]**

6.1.3 Deputy J.J. Huet of St. Helier:

Well, I stand up but I mean I certainly cannot follow that one. Now, if I was musical I could do a Maurice Chevalier to you and say: “I remember it well.” What do I remember? Everybody, but everybody who is in this Chamber on the last election was against G.S.T. I remember it well. They were all asked the questions and I think, except for one or 2, they all said: “Oh, no, no, no, no, no.” So, where do we start? Well I think the beginning to me was St. Paul’s Centre and I think most Members in the Chamber will remember St. Paul’s Centre and the discussion that day - we had allowed a full couple of days - was how are we going to fill this large tax hole that we are going to have? I can remember, I have this bee in my bonnet that I was always in for land tax, that I was

convinced that where one house was knocked down and 3 were put up that there should be a land tax. I do not mean like the President of Planning does, I meant a land tax on a 20 meaning 20. But even then I did work that out that that was only going to bring in about £4 million per year. So the discussions I can remember they went on all day, back and forth, back and forth. I really believe the conclusion at the end of the day for most of us was that only G.S.T. would fill this gap, but it would have to be simple so as to keep it as low as possible, and that was the best way to do it. Now I have to admit this is where I know I got mixed up. I do not say I was misled because I am not going to say that, but I certainly was not corrected because I was really under the impression that the G.S.T. on food would bring in the £40 million. Where I got this from I do not know but I was really under that impression. I remember saying to Deputy Breckon, I think it was, that I could come up with 4 and a half million and I believe he said he could come up with roughly the same amount, but this was not going to be anything like enough to fill this gap. I believed this so much that when one of our taxi drivers rang me up to complain we got into a long, long argument quite sort of ... in the end I said to him: "Well, look, if you can find somewhere else that we can get £40 million from, I am more than willing to go along with it" and I am ashamed to say that I put the phone down on him. But I have to say, bless him, he rang me back to apologise for his language and he agreed that he could not think of a way either to get the £40 million, so I guess I must have persuaded him that £40 million was on the food as well. So I have to say then that when I read the Deputy of Grouville projet here, I said to her: "You have got the wrong amount." She said: "No, no, I have not. I have not." And I thought: "Well, that is not the amount I thought it was, £4 million, £3 million/£4 million." I have to be honest, I went off and asked the man from the Co-op, because I know him well, and he said: "No, no, she is right, it is that amount." He said: "I told your Minister for Treasury and Resources that that was the amount it was going to be" and I thought: "Thicko." I thought: "You have gone around thinking it is much more" and I thought: "Well, in that case, the money that I was on about for the land tax would have filled this gap with no problem." But I have to say, a dear Member of the Chamber the other day told me to forget about the land tax because it would never work because we were not going to develop on any more green fields. **[Laughter]** And I thought: "I am going to come back and haunt him with those words." So if that is true, we will not need a planning office because all we are going to have to do is to regenerate the office blocks in town and everybody is going to live in St. Helier. Anyhow, moving on, Sir, the statisticians tell us that the average wage per person is £25,000 to £30,000 per annum. So between £50,000 and £60,000 per annum per family. Now, I believe that it is this group of people are being the real hardest hit. It is this middling group who are trying to pay their mortgage, bring up their children, send their kiddies to school if they do. They are really being hit. So, also, in these figures were that a poorer person's food bill was, say, £20 per week, and the rich person's food bill was £60 a week and I guess the average one was £40 a week. So if G.S.T. is given on food, who exactly gains out of this? I look around the Chamber and I am sure there are a few who do exist on our salaries from the Chamber, £40,000-odd, but I think the majority, I would have said, in this Chamber are over that £40,000-odd, so do they really need that G.S.T. on food when you look around this Chamber because I do not really believe they do. I do not believe that relief should go to that. I think it is much better to give the allowance to the middle people. It would be much fairer. I did tell my colleague and the Deputy of Grouville that I would not be voting for this, but she did understand because, though we are friends, I did not feel that I could vote. I did not feel it was right and I really felt that Deputy Le Fondré's one, at the end of the day, would be the fairer one because it would be the one that give to the majority of the people, something that they would gain to have. **[Approbation]**

6.1.4 Deputy P.V.F. Le Claire of St. Helier:

It is an interesting bit of smoke and mirrors when we are talking about giving to the poor by taking the money off them in the first place, to hand it back. It is robbing Peter to pay Paul. I think while Deputy Le Fondré's comments and researches have gone a long way to identify the fact that many people in the Assembly recognise there is a need in the lower echelons, in the middle echelons and

in that gap that has been identified just above the poverty bracket, but the reality is that it is a scheme and a rebate scheme that has not yet been put into place. So its imminent introduction but as yet to have been ascertained as to how it would work. To say this debate is something that I am enjoying would be completely untrue. I feel that it is not just a U-turn, it is a handbrake turn. The Council of Ministers have changed the flags at the top of the Cyril Le Marquand House from the Jersey and Union flag into 2 similar flags, both made up of white crosses on white backgrounds. Their cards have been changed and retrofitted to ensure that they all have 5 gears, one forwards and 4 reverse. The cynic in us will all say that this is due to the election. How could anybody really honestly stand up and not listen to the many, many Members and the many, many speeches of those Members, like myself and others, that said due to the impact on the food market from various economic factors, including farmers not growing food, growing bio-fuels, climate change and the rise in fuel costs and the war in Iraq, how could all of that have been just glibly danced over to implement G.S.T? It was done so that we could get back to the race to the bottom for the finance industry. We wanted to make sure that, under this guise of keeping up with our competitors, we would go along with the moves that they were making, but that was the same story that they were telling their electorates in their jurisdictions that they were doing because we were moving in that direction. It was, if nothing else, deceitful. The pressures from the external factors that caused us to change our tax systems and introduce G.S.T. could have made us reflect a little longer about what kind of a tax we introduced and what kind of taxes we considered, instead of being in this insidious position today of having to debate G.S.T. yet again. Now, in supporting this proposition, which I will do, being accused of adding costs to business, it really is a smack across the face for someone like myself who has opposed G.S.T. all along. If we identify the fact that the people in Jersey in the lower echelons could do with another £4 million or £5 million, then we are identifying and acknowledging the fact that the low income distribution systems that we have put into place are £4 million to £5 million shy of what they should be. It is interesting to prudently gauge what income we will have by taking two-thirds of anticipated income and publishing that as the expected amount of money that we will receive and that is what we should plan for. That is prudent planning, apparently. I do not think it is prudent planning. The civil service, in my experience, always overestimate the costs of what it will cost to collect something and run something so they can live within that margin, and to prudently plan on two-thirds of what they know will be coming in is poor planning. I am sure I am not the only Member in the States today that is embarrassed by this, and I am sure I am not the only person in the States today who wishes to congratulate the Deputy of Grouville for bringing this forward, but at the same time recognising that the Council of Ministers have really done something incredible, they have had an incredible time. I am just a little long in the tooth to believe promises that will be made in future Parliaments because no Government of Jersey can bind another Government of Jersey to what it will do. So, if we do not support the Deputy of Grouville in this today, there is no guarantee that the promises that we could agree to in some imminent, soon-to-be-launched proposals of Assistant Ministers for Treasury and Resources, dependent upon actions of other Ministers who might or might not bring forward proposals that satisfy those requests. It is promises, promises, promises, promises. This today is an amendment which we can support. This today is an acknowledgement that G.S.T. on food was wrong; it was a mistake. Okay, credit where credit is due. They may not have handled the P.R. very well on this one but that seems to be running true to form. The Council of Ministers at least recognise this mistake and they have gone forwards. I too would like to say, as far as the Minister for Treasury and Resources is concerned, I fully respect the fact that he has acted in total good faith and I believe, not knowing what has gone on behind the scenes, that a lot of this ... you know I get accused of electioneering, for God's sake, what is this? People in Jersey have for many years now been held to pay rises that have restricted them in terms of cost of living or slightly above, while watching that real benefit of commitment to their work and their Island and the place they love falling further and further away from them. It was a bit like the pay rises we used to receive in Her Majesty's Armed Forces where they would give us a pay rise and then put the food and accommodation up £10 or £12 a week more. In the end we used to plead with them to stop giving

us pay rises. The percentage pay rise for the lower echelons does nothing when it is trying to keep up with the percentage pay increases across the board; 3 per cent to a General is a pay rise, 3 per cent to a Private is not a pay rise. Well, the Council of Ministers are going to have to paint this one as they wish to see it, but I see it like the 2 flags that now fly from Cyril Le Marquand House, white crosses on white backgrounds.

6.1.5 Connétable S.A. Yates of St. Martin:

I was going to give the Ministers a bit of a scolding, but I think they have had quite a bit of a scolding so far and in fact I will be quite gentle with them. When I was elected to the office of Constable of St. Martin I understood that my responsibility was to endeavour to look after the parishioners, or provide the parishioners with a just, fair and equitable society, and in doing so in this House I hope I am doing the same to the other inhabitants of the Island. I think the fact is that when I came to one of my early debates it was the regulations of G.S.T. and I was so anti G.S.T. it was not true, and I expect there are Members here who will remember me standing up and saying: "I have changed my mind" because I think Senator Shenton said: "Oh, that is strange. Comes here all full of himself and he has now changed his mind." Well, I did change my mind and I changed my mind because it was very clearly and convincingly explained to me by the Minister for Treasury and Resources what it was all about: the 4-pronged fiscal strategy, everybody paid a little bit, the people who spent more paid more. My greatest fear was first of all the vulnerable people, the people I saw in the parish that I was at that time paying welfare for, because I knew they lived every week up to the wire. I mean, I thought if they were going to have to pay another £3 a week for what they bought with G.S.T. it would be a severe handicap to them, but I was assured by both the Minister for Treasury and Resources and the Minister for Social Security that in fact the vulnerable people of this Island, the vulnerable people in my parish, would be fully protected. The other fear I had was that basically it might go up, that 3 per cent might go up to 4 per cent or 5 per cent, and I was told: "No, it has been set by regulation that it is going to be 3 years at least." Well, there were other debates where I stood up and said: "I do not want this tax to shift from 3 per cent. I do not want to see this as the shiny tap which says 'money'." I think that the Minister for Treasury and Resources will remember that because he eventually said, and I think the Chief Minister also said: "I cannot quite say for sure but I think it is going to be okay until about 2015" and I thought that was quite a good achievement on my part because I got him to say something that was positive. So, we have 3 per cent for not 3 years but the possibility of 7, 8 or 9 years. Now, the other thing I wanted to touch on is the change of stance because I have become evangelical about G.S.T. The conversion was so strong, and the Minister is going away because he cannot look me in the eye, that in fact I am convinced that is this the fairest tax because it is a very small tax, 3 per cent, and everybody pays a little bit of it, but I cannot do the U-turn, I am afraid, and I want to try and convince the Ministers that perhaps it might be electioneering and it might be the time to draw back from this U-turn because I do not think it is a good idea. I think the steadiness of this Government basically depends on leadership and I think that it is not too late to demonstrate leadership. I think that dealing with the actual amount, if a person on low income spends £50 a week on food the G.S.T. would be about £1.50 which in fact is probably enough to buy a £1 loaf. It is not enough to buy a £2 loaf. A wealthier individual might be spending £150 a week on food and the saving for his pocket is £4.50. He will not even notice it. £1.50 is not enough to survive on, the £4.50 for a wealthier family is just not a consideration. It will not even be noticed. So, what I want to say now basically is I believe that the money that is available should be directed to the people who need it, the people in the lower 40 per cent or 50 per cent, the less well-off. I think I made a comment during question time that I did not think that income support was going that well and I was assured that it was, but I saw in the *Evening Post* the other night that Senator Routier said: "Oh, it is going quite well. We are making progress." Well, I am afraid to say that it is not as good as that, Senator. When I handed over welfare to income support back at the end of January I put a little survey through my 40-odd welfare recipients because I wanted to know how they were getting on and what the changeover was like, and that was the result of the ... I think I had about 20

replies. I had one criticism about the medical component and one criticism saying that the lady was about £70 a month less better off. After 6 months, which I think was on 8th August this year, I did another little survey to see how they were getting on for 6 months and this is a different picture. So, where the Minister says that the income support is making progress I will say that perhaps the income support system is perhaps faltering and I would like to contact the Minister in the fairly near future and discuss what can be done about it. I am afraid that we have criticisms: "The price of general groceries are so expensive I prefer the old way." That is okay. "I am £70 a month worse off." The questions I asked in this second questionnaire were: "Are you satisfied with your income support personal component? Are you satisfied with your income support housing component? Are you satisfied with the income support medical component, formerly H.I.E. (Health Insurance Exemption)? Are you satisfied that the income support team at Social Security are helpful and efficient?"

The Greffier of the States (in the Chair):

Constable, you do not want to go too far down this route. I am struggling to tie this in with the exemptions on G.S.T.

The Connétable of St. Martin:

I understand what you are trying to say, Sir. I am trying to reinforce that the exemptions on G.S.T., that the money saved should be put in order to support the less fortunate. I have a bundle of paper here, Sir, which in fact gives me cause for concern and I hope we can get together and not collide. I am sure you will be receptive to what I am going to say to you, Minister. I understand from the income support law that you have a certain discretion and here again I think this is where the leadership bit comes in, the leadership bit that I am missing, and I think really speaking if the Ministers had shown more leadership about this factor, which is basically looking after the people who are in need, then we would not have had this problem about G.S.T. on basic food. I am referring to part 2, paragraph 5(5)(vi) which says: "In reviewing the rates the Minister shall have regard to any changes in the cost of living and in the general standards of living of the community, together with any other factors that the Minister considers relevant." I think the Minister should have been aware of this and fending off. We all knew the price of oil was going up back in May and the price of wheat was going up back in April and there was an extraordinary amount of increase in the cost of living. Why did the Minister for Treasury and Resources and the Minister for Social Security not get together and say: "We have to do something about this and do it quick"? It is not too late to show leadership and I would ask you to do it now. I am not going to support this motion, Sir. I am going to go with Deputy Le Fondré's motion next week. Thank you, Sir.

6.1.6 Deputy J.A. Martin:

I thank Senator Perchard for reminding me that it is only the third time we have been discussing G.S.T. and food exemptions because I am sure it is a lot more. Oh, fifth? Sorry, my hearing is even going bad, 2 per cent of it anyway. Every time I have supported the exemptions on food. Firstly, I never voted for G.S.T. and I do not have any qualms of anybody saying I am doing a U-turn. I do wonder where all this has come from. We had Senator Perchard telling us at the eleventh hour the Council of Ministers have done a U-turn. Yes, they have but Deputy Labey's proposition had been lodged on 17th June. Now, how quick did it take? Who has put all these figures together? I applaud Deputy Le Fondré if he has done it on his own. On 2nd September we have a different version. Absolutely against again taking off food and this money apparently is there. We have heard from the Minister for Treasury and Resources, because we do not know where we are. Really, we do not know what we are discussing today, even he said. We have Deputy Labey's, we have the Council of Ministers half-hearted support on the food and all the speeches are half-hearted because also we have in the background Deputy Le Fondré and, as I say, it is very quick work for a backbencher with very accurate figures. That is from a cynical backbencher. The figures come from the statistics unit and it took 4 days. It took Deputy Labey and Deputy Pitman weeks and

weeks to get anything, just for a note. Now, as I say, we have the Minister for Treasury and Resources saying the Council will support part (a)(i) of the Deputy of Grouville's amendment, but does not really like the energy fuel and we should really go and wait for the business plan and do what they want to do. Then we also have, or you can Members if you want, wait until next week and discuss Deputy Le Fondré's, or you can vote against everything and basically keep the status quo and do nothing and I say that is, again, jam tomorrow. We are here today to debate whether, in principle, it is fundamental that I have never believed we put G.S.T. on basic foodstuffs. Senator Perchard said: "Will 3 per cent make much difference?" It is going to go up. Not maybe in this House, not maybe in the next, but every time we need money they will put it up and basic foodstuffs will go up and up and up. So it is a fundamental question: do you believe that there should be a tax on that? I do not. I really, really loved the ... I have to quote this again. Every time we have all these people out there, it is in the Council of Ministers minutes: "When the public were originally consulted on G.S.T. as part of the fiscal strategy, their overwhelming response was that they wanted a simple system of G.S.T." It should have stated 8 out of 10 who preferred a system of G.S.T. wanted it simple. This is blatant ... the way that this ... spin ... thank you to the Constable. It is blatant spin. We do not have it simple. The Deputy of Grouville brought this amendment in June. Nobody came up with a better idea and what really, really, as I think I have already said, but will emphasise is, if this money is available why has it taken another debate, not a threat behind the scene of resignation from Ministers like we had last time, to get a refund system in for the middle earners and a bit of extra tax for the people on income tax? The money was there, but nobody from the Council or from Social Security or the Treasury were coming back and saying: "Oh, we have got a bit more money; we are going to give it to them." It took to a week before this debate to lodge something again different. Cynical? Yes, I am cynical because next week as sure as eggs are eggs people who do not support this will turn around and find another reason not to support Deputy Le Fondré, because, as I say, we have no comments at the moment from the Council of Ministers. We have had one speech from the Minister for Treasury and Resources, which was half-hearted. Deputy Le Fondré even has the gall to go and give away the £1.5 million on energy that has not even been debated and passed by this House. Something is going on. There is a third layer of government in here somewhere and I am not in it. **[Laughter]** I am sorry. I am not in it. It just beggars belief. People out there must think: "Now, what are they going to come up with?" As I said, Sir, I love this one. The energy one. What are they going to do? Allocation of £1 million for home insulation grants. Well, that has rung a little bell in my head. Me and Senator Shenton, when he was helping me with Income Support, we sat down and we wrote a very good reason why we should insulate the houses, save energy bills, and I think I got half a dozen votes for that amendment. As I say, U-turns, well again, that is a good U-turn. To me, will it be done? I do not know because people did not support it over 9 months ago. Will they support it now because the Council of Ministers says it in their comments? Maybe they will. It is another debate. As I have said, the Ministry of Treasury and Resources says we have 4 options. I do not have 4 options. I have one option today and that is the proposition on the table, not something that was bought 3 or 4 days after the Council of Ministers and then 2 days on 2nd September and on 8th September an addendum, with all the facts and figures. £4.5 million to give back to the income support, the middle earners and a tax break, plus £1.5 million that the Council do not even agree with on energy in that specific way. So, as I say, to me very simple, Sir. I fundamentally do not believe basic foodstuffs should have ever been taxed with G.S.T. We have one proposition on the table today and I am in full, full support of it. Thank you, Sir.

Senator J.L. Perchard:

May I just assist the Deputy who obviously did not quite understand something with regards to where this £4.5 million comes from. The Deputy said it was new money, Sir, and it is not new money. It is money that will be lost to the Treasury if these exemptions are approved.

Deputy J.A. Martin:

I understood. I think the Minister does not understand himself sometimes ... oh, Assistant Minister.

6.1.7 Connétable P.F.M. Hanning of St. Saviour:

I am not going to speak on the problems. We have all heard a lot about them today. We all know that there are problems in implementing the British system. When I came into the States a year ago the States had already voted on G.S.T. It was a done deal; G.S.T. was coming. I voted against G.S.T. on food, but I am afraid I am going to perform a U-turn. It is not the same U-turn as the Ministers. I voted against G.S.T. on food because I thought there were problems for people who were on low income. I am not totally convinced that income support has solved all its problems yet, but I know they are working on it. This time Deputy Le Fondré has, I hope, in P.138 produced a system that is more beneficial to the needy and those on low income. It is equal or slightly greater in benefit to the middle income people than the savings they would have made if G.S.T. was taken off food and it does very little or nothing to the high earners. I think this is the way we ought to be going. It is not difficult for me to make a decision on this. I am going to change. I thought when the Deputy for Grouville produced P.103 back in June that I would have no problem at all supporting it. I am afraid I am not going to support it this time. I am hopefully going to support P.138 because I think it will do more good to those who need it.

6.1.8 Connétable D.J. Murphy of Grouville:

I heard Deputy Martin say it is the fifth time we have debated this. If she had sat on the G.S.T. subcommittee with the Constable of Trinity and the Deputy of St. Peters and myself she would probably have ended up in a home for the bewildered, as we are about to enter ourselves, because it was extremely complicated, extremely thorough, and it took a very, very long time to debate this. We had experts coming in from the 4 corners of earth and we had computers churning out quintiles, quarters and God knows what else. However, we came to the conclusion at the end that G.S.T. was the only way to go. We could not find any other solution and we did search very, very thoroughly indeed to see if there was any alternative. Now, to move on from there, the exemptions at that time, there was a consensus and there was a lot of debate about it within the committee as to whether we should exclude foodstuffs and various other items as well. The Constable of Trinity has a smile on his face there because I think he changed his mind as well as me. We decided that there should be no exemptions because the more exemptions you have the more it is going to cost. We had a targeted figure to find. Now, it had to come out of the hole somewhere or another and if you excluded a part of the hole then you had to put it somewhere else and that is what will happen. You might well arise with a situation where the rate will go up because we are making too many exemptions. The problem of course that we all have is the people who are at the bottom end of our society and I think as Constables most of us know more about it than the rest of the House put together. We are extremely aware of the people who have been dropped out of the income support system. There are people out there who are not being fairly treated but we do have trust in the Minister to bring about change and I know that is happening at the moment. However, if we exempt food now we are not going to help them to the extent that they could be helped. What is going to happen is it is a shot gun approach which gives away to the rich. This has all been said before today so I am not going to go into detail of how I believe that but I think the proposition by Deputy Le Fondré is more in line with my thinking than anything else at the moment and I have to say that on behalf of one of the largest retailers in Grouville sent me a text this morning saying: "Please, please do not vote for this. It will be a nightmare to administer." Thank you, Sir.

6.1.9 Deputy S.C. Ferguson:

In my 2005 manifesto I said I supported the fiscal policy and G.S.T., so I suppose you could say the lady is not for turning. I am totally sympathetic with the angst over food prices. I mean, global food prices have risen substantially over the last 3 years. The increases have been driven by high income growth in emerging economies, probably the single most significant factor, use of crops for

bio-fuels, which is totally inappropriate, the relative inelasticity of supply, historically low stock levels and some speculative investment. However, the agricultural experts forecast that massive rises will now taper off and prices will become stable, just at a higher level, but all the agencies from the World Bank downwards are recommending that more attention is paid to the production of food. There is perhaps a message for us in Jersey and perhaps for - I am sorry he is not in the House - the Minister for Economic Development, that we should pay more attention to the production of locally-grown produce for local markets. Yes, the effect is compounded by the credit crunch and the increased oil prices. The Deputy is, however, somewhat gloomy about energy prospects, particularly with oil. The Deputy of Grouville has made great play of the analysts' forecasts regarding oil. I am perhaps a little more sanguine about this because the one thing I learned, having been involved with the finance industry in one way or another for the last 40 years, is that when all the pundits prophesise doom and gloom, that is when you are getting to the turning point in the cycle. Other Members who have been in the industry will remember it with platinum, gold, oil in the 1970s and from our history books the South Sea Bubble and the Great Tulip Bulb Bubble. As all engineers know, the time of war or great crisis is when most of the new inventions are urgently developed. Just to prove the point, yesterday I was Googling cars driven by compressed air, some of which will travel 400 miles for £20 and others which will do 100 miles per gallon and all with a realistic retail price for Joe Public. It is basic economics. When resources start to get expensive this forces development of alternatives. There are some caveats though. As a perhaps slightly non sequitur, Sir, if we all convert to electric cars, when we all get home at night and plug in our cars to charge them we will probably blow all the circuit breakers in the J.E.C. (Jersey Electric Company) system with the surge. I am not rubbishing the Deputy's extensive report. I am perhaps just pointing out that history does not always agree with her. However, I totally agree that the price increases are extremely uncomfortable and must be dealt with but her method of dealing with them is expensive and cumbersome. One of the most useful briefings I have had as a States Member was last week when we had the fiscal policy panel report. It was a tragedy that with all this going on and these debates coming up only 11 States Members attended and there were only 2 Ministers for the whole time and one Minister for part of the time. Not good enough. However, they recommended that the States do not approve decisions either as part of the business plan, as at June 2008, or the budget that undermine the tax base or commit to expenditure growth greater than the current forecast. They also said that any discretionary changes should avoid policy measures that would permanently weaken the tax base or raise recurring expenditure levels. During the briefing they emphasised it was preferable to keep G.S.T. simple and this was supported by worldwide analysis. They told us that inflation caused by G.S.T. will produce a spike but then will have no further effect. The proposition is proposing a permanent change to our tax structure. The increases in food costs are worrying, but we must consider how best to address the problem. The cost of administration. Well, okay, the estimates are varying; £300,000 on about 4.3 million, but we must remember that insufficient staff were taken on for simple G.S.T. in the first place. The administration money will have to be found somewhere, and where is the normal place? Out of the taxpayers' pocket and then there is the cost to the industry which is not entirely a one-off cost. It is an ongoing cost. The returns will take much longer to prepare and much longer to check and who will pay the cost of the extra expense? The consumer. We are trying to help them by adding to the price? Simple G.S.T. is low cost G.S.T. Just because the U.K. do it, is that a good and sufficient reason for copying a ridiculous system? Consumer tax spreads the tax burden across the whole population. This is going to be particularly important in 20 years time when there will be more old people, otherwise the young will have to pay higher taxes to support the old. What is the collateral damage if we start playing with a system which is not yet fully bedded in? I suspect that we would be talking of higher G.S.T. rates in a year's time. Keep it simple; keep it low. The proposition of Deputy Le Fondré has great merit. I was particularly interested in the reference to marginal relief. This is the group of people in the middle who always get hit by higher taxes and never get the higher benefits. They catch out in both directions. Income support, although imperfect, is being developed. We have a scheme to help those who pay no tax. Those in the

marginal band are particularly severely hit by the increasing costs of living. The level of marginal relief was raised from 25 per cent to 27 per cent in the days when we had money coming out of our ears. I think if I remember rightly it was Senator Jeune who was President of Finance then.

The Greffier of the States (in the Chair):

Senator Ralph Vibert, I think.

Deputy S.C. Ferguson:

Anyway, a change in the marginal relief, a decrease in the marginal rate, is equivalent to a 3.8 per cent decrease in the tax rate. A 2 per cent change in marginal relief is an 8 per cent decrease. Furthermore, marginal relief is available, on the basis of the figures we have already heard this afternoon, for incomes up to about £70,000, depending on the allowances. Considering our average salary is £31,000 this relief will directly help the middle earners who, as I have said, always lose out. Even some States Members, I believe, are in the marginal relief band. A one per cent decrease in marginal relief will cost about £2.2 million and give 3.8 per cent relief. The cost of measures in Deputy Labey's proposition will cost £4.3 million and give 3 per cent relief and is unfocused. Deputy Le Fondré's rationale therefore releases £3 million for income support and non-taxpayers as well as 3.8 per cent to marginal relief taxpayers. The delivery methods for income support are in place and the grants to non-taxpayers are being organised. Marginal relief is simple to effect and the results are almost instantaneous. Since people in work are paying tax by I.T.I.S. there will merely be an adjustment to their effective tax rate. Cost? A letter to the taxpayers and an immediate effect. For the benefit of the Employment Board this could well relieve some of the pressure in wage negotiations. I am also sure that arrangements have been made to accommodate the pensioners who fall into this bracket and pay their tax biannually. Result: more money in people's pockets for them to spend as they want without incurring extra cost for the States and without extra taxpayers' money being used to administer it. These measures will more or less fit in with the recommendations of the F.P.P. (Fiscal Policy Panel). I think probably the F.P.P. would prefer no additional relaxation but given the situation I think this could be allowed, even from the P.A.C. (Public Accounts Committee). There is no disruption of tax systems and the benefit is targeted to those who most need it. I think it will probably form part of the automatic stabilisation process and if anyone wants to know about that they can see me afterwards. With respect to the lawyers in this Chamber, they and others like them ... no, there are not any. He is not here. I am sorry. All right, the lawyers in this Island, they and others like them probably will not notice the extra money saved if the G.S.T. is taken off food and I think probably for most of them their days of buying school uniforms are probably long gone. Do we really want to benefit higher income groups like lawyers? Under this system it is the better off who will benefit from the removal of G.S.T. on food, not the people at whom the relief should be targeted. If we go with this proposition we will be using a blunderbuss approach with removing G.S.T. on food. Much better to focus it tightly; much better value for money, much more efficient. What is wrong with putting money directly back in people's pockets for them to spend as they wish? Removing G.S.T. on food and the other items covered in the amendments merely increases the complexity and eventually the total tax burden and the cost to the consumer. Keep it simple, keep it low, and put the money directly back in the taxpayers' pocket where they notice it, in their pay packets. We are here to do the best for the Island in the long term and to take the difficult decisions. I ask Members to exhibit some backbone and take the decision best for the Island, from which you will gather that I do not support these well-intentioned but misguided amendments to the law and I will be supporting P.138 next week.

6.1.10 The Connétable of St. Lawrence:

I do not intend to spend very long. We have been talking in various speeches about shotguns and I just heard about a blunderbuss. I think we were talking about a scattergun actually. Well, a blunderbuss has a scattergun approach perhaps. But I too was horrified when I came back to the

Island recently. I could not believe that the Council of Ministers were adopting this stance on food and saying that food would be exempted for G.S.T. As others have said, this is the fifth time we have debated the subject and I thought it was pretty clear which way we were going and it is not appropriate to start U-turns at this stage. So, I am totally amazed at the way that it has gone around, and not only that, the comments of the Council of Ministers are almost non-existent as to why they have made a U-turn. So, I think we have to have the backbone that the Council of Ministers do not seem to have exercised on this occasion [**approbation**] and we have to show them the way they should be going. I do not think there should be exceptions. We have been told long and often that no exceptions must be made because we have to keep it simple. Deputy Ferguson was emphasising the fact just now. She is absolutely right. We need to keep it simple and we need to keep the tax low. If we start these sort of exceptions and exempt food then we are very much in danger of having to put the rate up as soon as we are able, i.e. when the 3 years are up ... and that is crazy. Now, it seems to me that we have gone down the road of saying: "We are going to go away from blunderbuss or scattergun approaches and in future income support, for example, is going to be designed so that benefit is better targeted and goes to those who need it." Now, we have put in a lot of effort to design income support to do that and here we are with a proposition that is effectively going to go right away from that and give benefit to people who do not really need it. These are just rough figures, and they might not be 100 per cent accurate, but they illustrate the point. Say, we are going to, under the present arrangements, collect £4 million on foodstuffs, £3 million of that benefit will be given to people who do not need it and £1 million will go to the people who do, the less well-off. Now, would it not be better to spend £2 million but target it at the people who need it, or £3 million? We have still saved £1 million for other efforts we need to make within the States. It makes absolutely sense to continue to collect G.S.T. on food and target it to the people who need it and give them more than they would get under this proposition. That can be done and we can find another benefit as a result. We can use additional money on other things that need to be addressed. So, I think that is what we should do. I am afraid that although the Deputy of Grouville I am sure is aiming this with good intentions, is missing exactly what she is trying to do, which is to benefit the less well-off in this situation where food costs are continuing to rise and obviously fuel costs as well. So, I think our best course, as the Assembly, is to reject this proposal and to consider in detail Deputy Le Fondré's proposals next week. Thank you.

6.1.11 Deputy C.J. Scott Warren:

I believe that the proposition which Deputy Le Fondré has lodged for debate next week something along the same lines would have been better lodged by the Council of Ministers, as Deputy Le Fondré's proposition seems to me to be more in line with the Council of Ministers', until very recent, thinking. I do think that a lot of States Members did not originally want any G.S.T. and the only reason that it was introduced was because experts persuaded most of the States Members that it was the least awful option to fill the black hole. However, having said that, my previous thinking and voting has always been to support the G.S.T. exemptions. I did not support G.S.T. on food and I feel that because of that I have always been opposed to a G.S.T. on food, a tax on food, basically, because although everywhere food costs are rising, in Jersey food has always been expensive. It is not new. It has been expensive in comparison to the U.K. and to France for a long time, for many years now. It was not always the case, but certainly in recent years we are talking about 20 per cent difference recently. Before this most recent situation there was still a 20 per cent difference between food prices in Jersey and the U.K. So, I will firstly be supporting A(1). I would like clarification, and I may have missed this when the Minister for Treasury and resources spoke, whether he could clarify this wonder package of alternatives to domestic energy being without G.S.T. Could I clarify, or could somebody from the Council of Ministers clarify, all these excellent provisions here that are put forward by the Council of Ministers, will any of those happen, or not, if part A(2) were to be supported? For instance, improve the bus services and cap bus fares. There are so many things. The winter fuel allowance by 20 per cent increased and also I would like to ask about the deferring until 2009 any reduction in income support for households on transitional relief.

Now, that is a very important provision. Does that fall by the wayside if we support part 2 of A? I would like clarification on that. The alternative suggestion in Deputy Le Fondré's proposition obviously does have merit but I have to say I do have some concern in the long term about whether raising the tax thresholds and giving more money, more benefits and where people need benefits I want income support, so I approve of benefits where they are needed, but the more and more people we drag into handouts and benefits, I just want to know whether they are going to keep pace, these tax fresh allowances. Are they going to keep pace with the rising cost of G.S.T.? Maybe G.S.T. going up, percentage rise, and on expensive food in future years the cost of food probably spiralling, certainly not getting less. Is this going to keep pace? I worry because I do know Deputy Le Fondré has brought that proposition in good faith, but it does mean giving more and more money out whereas taking the G.S.T. off food is a one-off, take it off food, and as I say, I believe it should never have been on there. I would like clarification, as I say, on the domestic energy issue. Thank you, Sir.

6.1.12 The Deputy of St. John:

I have had a consistent stand on this issue since before I came into this House and all the time I have been here and that is I approve of the idea of G.S.T., which may not sound great to some people but I have made no secret of the fact. G.S.T. is not just a revenue collection exercise. The States made what I see as a strategic decision to become less reliant on income tax. That decision was made and a lot of time was spent by the Minister for Treasury and Resources in particular persuading people it was a good idea, but also persuading people that the formula he had was a good idea. I was not convinced that it was a good idea in terms of the formula he had in mind. In other words, a very low rate which gave no scope for exemptions at all because it is commonly known that this type of tax affects the least well-off. That is a fact. The way you deal with it is either to have a good income support system, or you have exemptions. I was all for a higher rate and some exemptions, looking at the models in New Zealand and so on. Not as complex as the V.A.T. system in the U.K. but there to provide that safety net for those that generally could not afford it. But, no, we were persuaded that this fairly unique G.S.T. package for Jersey should be at a very low rate, 3 per cent, and the selling points were: the low rate; easy to collect; low cost; difficult to avoid. The Minister for Treasury and Resources said: "Let us get it in and let us change it, if we need to, later." Now, most people read into that, that meant: "We will just turn the tap a bit more. When it gets on in a few years we will turn it up a bit." I thought the same but in fact you can tinker with the concept of G.S.T., not necessarily by the rate, but you can start changing the exemptions and changing the way it is made up, but if you do, some of the fundamentals are then lost. The low rate is lost. Members should not kid themselves that this will be the first bid for an exemption. If this one is successful many more will follow and the rate will go up. Fact. In Singapore they started with a 3 per cent rate. They are now at 4 per cent and the reason for that is the first few years of running it is they used all of that money to support an income support system. The poor benefited greatly from the money brought out of that new G.S.T. and when it settled down they then put the rate up and started using it for other revenue purposes. That is what will happen with G.S.T. in Jersey if we fiddle with this tax. It was designed to be a low rate. If we were going to design exemptions the design process was at the point of a decision to design a G.S.T., not afterwards. It is like designing the boat and then putting the engine in later and then putting the mast on. You have to do the whole package. You cannot have one without the other. Without the mast the boat will not go. Without the hull the boat will not go. The design was designed at a low rate. I am sorry to say that this is unfortunately, in my mind, and it is a shame, blatant electioneering. The cycle for this is in 3 years time when we should be reviewing this. Let the thing settle down. Let us see it working. When my parishioners, of whom many I have met recently because of various parish events, heard of the U-turn the Council of Ministers were making they were not impressed. They trusted you. They trusted you that the formula you came up with was right and would work. They trusted you and now the Ministers are taking a U-turn. They are not trusting you now, Sir. I think that is a shame because a lot of good work went into

this in persuading the public that indirect taxes were the right way to go, and I believe they are the right way to go. You spent a lot of time, Sir, the Council of Ministers and others, persuading the public this is the right way to go and now they are suggesting we change the formula. It is disingenuous. The public will lose trust in you. I am frankly amazed that the Ministers wish to make a U-turn on this. So, why the lukewarm response from the Chamber of Commerce? They were quite adamant against G.S.T. in the outset, but the Minister for Treasury and Resources and his team worked very hard with them, as did many others, Senator Ozouf and others, worked with the Chamber and persuaded them, no, we need to diversify our tax base. We need to diversify it. We need you with us. You persuaded them to come on board. They are now losing trust in your decision because they see this U-turn. Why the cynicism by the parishioners? Because, again, they trusted you.

The Greffier of the States (in the Chair):

Through the Chair please.

The Deputy of St. John:

Yes, Sir. What they do demand, Sir, the parishioners, the residents of our Island, is more and better public services and they have finally made the link between taxation and those services. They would like to see free nursery care and I am delighted that the Minister responsible has brought that forward. But where is it going to come from? Where is the money going to come from, Sir? I am not sure that has been fully identified yet. It would come from this. If we are going to give away £4 million that would go nicely to fund free nursery care and the bids from health and the under funding at Home Affairs, and I could go on. We must broaden our tax base. Society is changing; people are living longer; we know that. People retire earlier. People are retiring on much better pensions. Yes, there will still be poor pensioners, of course there will, and we should do everything we can to protect them, but there is plenty of people who are retiring in the next 10 years that have substantial income from pensions. They can afford to pay G.S.T. Do not put all the pensioners in one pot as being poor pensioners. There are plenty that have invested wisely for their future and are better off than others and for those that are not there must be systems in place to look after them, which I believe income support is doing. It does not sound like it is perfect, but we are getting there. It is still early days. It is still early days for G.S.T. If Members vote for this, Sir, it will be the beginning of the dismantling, I believe, of G.S.T. Those Members that are supporting the exemptions are the same Members that did not want G.S.T. in the first place, so do you really think those that are anti G.S.T. are going to stop there? No, Sir, there will be more exemptions. You will, if you want to continue to have G.S.T., have to have a higher rate. You will have to have that higher rate much sooner than the Minister for Treasury and Resources has already predicted. That is the risk you run with bringing in exemptions. So, I would urge Members to think very carefully and do the right thing for the public and I do not believe exemptions is the right thing. There are other ways of doing it. Deputy Le Fondré has come up with one. I am very disappointed that the Council of Ministers have not come up with their own suggestion. This has been in since June. Deputy Le Fondré has come up with an idea. Why did the Minister for Treasury and Resources not come up with ideas to assist the Minister for Social Security to plug that gap for people in genuine need because of increasing food prices and other things? Why did they not do that, instead of dismantling the formula that they came up with many years ago now. We have been talking about G.S.T. for some time now. Why did they not come up with another solution? I am frankly amazed that they did not and very disappointed after all the stories, all the convincing that went into convincing people that G.S.T. was the way to go. Sir, I would urge Members to think very, very carefully about this. Please do not use this to attract that populous vote. I do not believe the public of Jersey want this. I think that some of them genuinely are struggling and there are other ways of doing it, other ways of fixing their problems. But the public of Jersey were following you and now they are not quite sure who the leader is to follow and I think Members should think very carefully before they vote for this because I do not believe it is the right thing for

Jersey. It is disingenuous, it is backtracking, it shows weak leadership and I really believe that we should stick to our guns and carry on with the formula that we have persuaded the public is the right one. Thank you, Sir.

6.1.13 Deputy G.C.L. Baudains:

I am grateful to the previous speaker, Sir. He raised an issue I had not considered. I have always been opposed to Goods and Services Tax and I had not considered the fact that supporting this proposition might cause the end of it, so I may change my vote. The Deputy of Grouville this morning made light of the administrative burden on business of her proposals. She referred to comments made by one large retailer. In the report to her proposition I can only really find one sentence that addresses the issue. I hope in her summing up she will cover that in more detail because, while I am sure that the larger retailers probably will be able to cope, I am concerned about the smaller ones that will find the administrative burden a problem. They do not have the head offices, the permanent accountant and all the other things that the larger businesses have and I know from experience and those who have contacted me with difficulties with G.S.T. at the present time that they are in fact struggling. I also believe that removing the 3 per cent tax on food might well mean food ultimately costs more as the tax is replaced by extra business costs. It might even mean, as I believe the Connétable of St. Lawrence said, that G.S.T. goes up on remaining essential goods sooner than they otherwise would. But I think the problem really is, as other speakers have addressed, we are not taking the public with us and I think that is possibly because of the confusing signals which have now come from the Council of Ministers because, make no mistake, this sort of proposition for one range of items or another will come back to this Assembly time and again and every time, Sir, the same tension will be present between the emotional issue and the real effect. As Deputy De Faye, I think, said this morning, what a fine mess. Perhaps we should never have introduced Goods and Services Tax in the first place. Sir, a tax has a variety of exemptions and as other Members have said it was designed - and the previous speaker in fact - in the first place not to have any exemptions but they are creeping in all the time. A tax that has a variety of exemptions will always be open to amendment of those exemptions. It does seem curious to me that we collect a tax and then have to offset it by paying back support, which is the way it was designed. Because ultimately it results in the taxpayer paying for an ever-increasing bureaucracy as the money is shuffled around. It seems to me, as I have said on previous occasions, not to collect the tax in the first place than to collect it and then give it back again because £1 in does not equal £1 out. There is a chunk taken out by administration in the middle and that is always more than we estimate it to be. But, as I have said, what concerns me possibly the most about this proposition, Sir, is the administrative burden to business because that will ultimately be paid by one person, the customer, in higher prices. So, it does seem to me whichever way this vote goes the customer will not benefit. It is a lose-lose situation and I am not sure which way I am going to vote. At present I am minded to oppose the proposition.

6.1.14 Connétable G.L.S. Gallichan of Trinity:

I was on the Corporate Scrutiny Panel that went into G.S.T. and all the way along food was the contentious part of it but to keep it simple it came to our opinion that the only way to have a fair, if it is fair, was to try and keep it low at 3 per cent and make it easy for the administration. Now, I am quite staggered to be here in this position that we are doing a U-turn after such a short time. We were thoroughly, from the Ministers' side anyway: "Please support us. We need this. We need to go as a whole package. This is the way forward. This is the best thing. Okay, food is not the most popular thing to do, but it keeps it simple." And here we are a few months down the road. I would just like to know how on earth can you make a decision to change something which has only been running 3 months on the first quarter. There are a lot of people who have spent money, small businesses, in buying the software. If we do exempt it, the money they have spent will be wasted. I have spoken to some of them. They are quite happy to continue. They spent maybe up to £1,000. They said: "Well, why, I have just learned the way it is going." People do not mind. Let us go

forward. All I would say is, Sir, I do not want to hear the Ministers this afternoon telling us how we have to support this when 4 months ago we were told how we must not support it. So I just hope they accept there could be a change on the vote today, they accept it and just sit down and keep quiet and take the vote that is given to them. **[Approbation]**

6.1.15 The Connétable of St. Ouen:

I am sure that everyone in the House regards me as a member of the Council of Ministers, albeit a non-voting member, and I can say that I was on holiday at the time that this decision was made **[Laughter]** but had I not been, I would have advised against the decision that was taken. I have, over the last 10 or 12 years, served on Finance and Economics, on Policy and Resources, and now I sit on the Council of Ministers where Senator Walker has chaired and I cannot believe that he has decided to scrap the one thing that he has driven for the whole time that I have been there. The whole essence of his policy was to cut States spending and have a balanced budget. Now, what this proposition does is take an amount of money from the budget and I listened to Deputy Scott Warren asking questions and I would have thought it was as clear as the end of her nose that if you take money out of the economy, you are not going to have it to spend on other things. That is a simple fact of life and over the last 3 or 4 months, I have sat on Council of Ministers' meetings where they have struggled - and I mean struggled - to balance the books to produce a business plan. There is still a large list of "would like to dos" that have not fitted into the business plan. Taking another £4 million to £4.5 million in one sweep out of the pot will certainly not help when we come to the decisions of the business plan. As well meaning as this proposition is, I cannot believe that we can do it because we cannot afford to take anything out of our pot. At the end of the day when we come to discuss the business plan, we are going to need everything in the pot and more and it is not going to be there. If we do this, we are going to have to find the monies from somewhere else to replace the monies that are lost and I do not believe that we are going to be able to do that. When Deputy Ferguson was speaking, I saw Deputy Southern waving his arms indicating that we were taking it from one side and giving it to the other and that is quite right. That is exactly what we do and in order to assist the Minister for Social Security in his attempts to help the worse off, we cannot afford to take money out of the pot. We need to ensure that there is money in the pot for him to increase his help if that is the decision of the House. This proposition will take that money out and it will not be there to be spent. I cannot support it and I think that it is unfortunate, Sir, that this morning we decided not to find a way of discussing Deputy Le Fondré's amendment because I think the problem we are going to have is that next week, we will go through exactly the same procedure as we have this week.

Deputy C.J. Scott Warren:

On a point of clarification, can I just ask if the previous speaker knows the answer, whether the 7 in the list of the package ... I think it is an important point.

The Greffier of the States (in the Chair):

The Chief Minister is going to speak, I am sure he has your questions covered.

Deputy C.J. Scott Warren:

Well, whether we could have the amounts of the 7 in the comprehensive package.

The Greffier of the States (in the Chair):

You have asked the question, Deputy, no more speaking, please.

Deputy C.J. Scott Warren:

Well, I would like an answer because I think it is very important as regards whether part 2 is ...

The Greffier of the States (in the Chair):

The Ministers will answer your questions if they wish, Deputy.

The Connétable of St. Ouen:

I am probably not the person to answer the question but I can say quite honestly that if the money is not there, it is not going to be available for whatever the Deputy wants.

Deputy C.J. Scott Warren:

It is not what I want, it is what is listed in the list of the Council of Ministers' minute.

The Greffier of the States (in the Chair):

Deputy, your question is clear.

6.1.16 Deputy G.W.J. de Faye:

I cannot stand by and watch Jersey shoot itself in the foot. I cannot stand by and watch members of the public delude themselves into thinking that this measure is going to be of general benefit and I cannot stand by when some of my colleagues connive to support this delusion, not on principle but for political advantage. **[Approbation]** I very much regret that I was obliged to stand by when, to my utter amazement, most of my colleagues on the Council of Ministers suddenly decided to support this proposition and I would like to make it quite clear that my dissent is recorded in the minutes, quite clear and positive. I was amazed, as I have already said in public, that at the first whiff of gun smoke **[Laughter]** my colleagues started disappearing in the other direction. I was upset about that for not just the principles relating to G.S.T. but also because I believe that the Council of Ministers and Ministers generally operate as the executive and it should be part of our responsibility to stick up for States policy and States policy was in place and quite clear that we have a policy of 3 per cent general sales tax. So what on earth was Council of Ministers doing suddenly veering off to support a Deputy's proposition running against established States policy? No way for an executive to behave, in my view, though clearly not in the view of a number of my colleagues. I am sure that they will explain their positions very adequately in due course and the explanations should be absolutely fascinating because I want to hear how come they changed their minds on a major issue such as taxation so swiftly. But I also want to hold out an olive branch to my fellow Ministers and say: "We have not reached the vote yet and it is well known that Members of this House can find themselves persuaded against their earlier thoughts by the power of the arguments presented to them." Given that they have developed an ability to change their minds so quickly, I think that they do have a number of minutes, not to say hours, when they can reflect upon their position, realise that they have caught the mood, not just of the House but, I believe, the public, wrong, and I hope support what is clearly becoming the general mood of this Assembly to vote against this proposition which I believe we must do because what is going to be achieved? The public at large are very strongly of the opinion that 3 per cent removed from food items is going to be a benefit, but is it? Removing G.S.T. from food, we already know, will mean a loss in revenue to the States of somewhere between £4 million and £5 million but it does not merely represent loss in revenue. In order to achieve that loss and to support the administration to ensure that G.S.T. is removed from food in an appropriate way, we will require some additional civil servants. I am not going to bandy arguments about the precise cost; that is not really important. It might be one civil servant, it might be 10. It might cost £50,000 although I think that is an extremely unlikely low figure. All the estimates say £300,000. It may be more. Plus, there is clearly a cost of business but quite frankly, Members, it does not really matter how much it costs. The simple fact of the matter is we will be adding to the administrative burden in order to collect no tax. We will not be getting £4 million to £5 million. We will simply lose the revenue but have a cost to bear in order to do that. This is no way to run a government. I said in early attempts to persuade the Deputy of Grouville not to pursue this particular proposition that while her intentions were right in terms of concern about the people of the Island facing rising fuel prices, facing rising food prices, that this was not the approach to take because taxation is entirely about the redistribution of wealth and G.S.T. on food brings in somewhere between £4 million and £5 million that then can then be redistributed to the people who really are in difficulty. Now, I see Deputy

Southern sniggering in the front row because he is probably reflecting on his grasp of economics [Laughter] and I know that there is this argument about proportionality that the cost of food is proportionally more of a lower income home compared to a wealthy home. Well, yes, of course it is. That is so blindingly obvious, is it not, but it is also completely irrelevant, completely irrelevant, because you have to look at the expenditure. What is happening here? What is happening? People in this Island are buying food and food is largely the same price, bread, milk, tea, yes, we can go up the scale, caviar, champagne, and the statistics before us are very clear on this subject and that shows that the top fifth, the wealthier section of Jersey, spends 3 times as much on food than the bottom fifth, the poorest in Jersey. Now, if we take the tax on food away, it is quite clearly going to be of enormous ... I say "enormous" in relative terms, much greater benefit to the wealthy who spend more on food than it is to the people who do not spend so much. That is why you tax food. You take 3 times as much from the top fifth and you can feed it back to the people at the bottom end. If you do not tax food, you cannot do that and that is why I say this argument about proportionality is not relevant to the position of taxation. It is relevant to an argument of various forms of taxation if your intention is to make sure that everybody ends up with a relatively similar income but we do not live in that type of society. That is the society that Deputy Southern would like us to live in and it exists somewhere between the Ukraine and Russia. [Laughter]

Deputy G.P. Southern:

This is putting words into my mouth.

Deputy G.W.J. de Faye:

I am sorry, did I get the location wrong, Deputy? I am prepared to give way.

The Greffier of the States (in the Chair):

Through the Chair, please, Deputy, and please come back to the point.

Deputy G.W.J. de Faye:

I have also been frankly staggered at listening to some of my colleagues saying how reassured they have been that the Minister for Treasury and Resources has said that he is prepared to give an assurance that he will be maintaining G.S.T. at 3 per cent for the next 3 years. Well, I wonder where those colleagues were during the debate. Of course the Minister for Treasury and Resources can give that assurance because he put it into law. He cannot change that, even if he wanted to. The 3 per cent is in law for 3 years and only the States can change that. What Members want to worry about is what happens after 3 years because if you go with the Deputy of Grouville's proposition, you have changed the rules on exemptions. You have changed the position and you have let the Minister for Treasury and Resources off all his promises. He was very categorical: "I believe that if there are no further exemptions, I can keep this at 3 per cent not just for 3 years but possibly indefinitely." So now we want to change the rules? So now we all think it is a good idea for 3 per cent for 3 years and then we can go to 5 and 10? This Minister for Treasury and Resources and any other Minister for Treasury and Resources will have been let off the hook if we approve this proposition. And 3 per cent off food; is that going to happen? Is that going to happen when prices are going up by figures of double digits and I read in the *Sunday Times* only this weekend that no one other than the chief executive of Procter & Gamble, a massive company that specialises in food production of all sorts, says food prices are going to carry on going up for the next 10 years because of the pressure coming from demand in India, demand in China, pressures on production and the issues to do with fuel. No, food price issues are not going to go away so let us not fool ourselves and, in particular, let us not fool the public of the Island into thinking that by taking 3 per cent off now, we are somehow going to stem the tide. In fact, I suggest to Members that there is enormous merit in having a 3 per cent tax on food. Why have the predictions on the income from Jersey on food gone up? Because food prices have gone up and we need that 3 per cent there so we can keep skimming the 3 per cent off food prices paid for by the wealthy, the not so wealthy, the

middle incomes and the lower incomes and the very low incomes in order to ensure that we have that taxation revenue to distribute to the people who are having a difficult time. Now, I happen to believe that a lot of people in Jersey are having a difficult time, not just those on income support. People who are lucky enough to own property and have mortgages are suffering a difficult time. That vast group of people who live between income support, do not have enough money to have their own properties, living in private rental accommodation, always paying the money to the landlord, never investing it on behalf of themselves, all those people are having a tough time and that is the appeal for me of what is one of the ideas behind Deputy Le Fondré's proposition which we will come to debate in due course but there are better ways of redistributing the money to help out middle Jersey. We have spent far too much time, I regret, worrying about income support and forgetting about lower middle Jersey and middle Jersey who are also suffering **[Approbation]**. Now, a tax allowance allows us to do that and if you are worried and if you are still struggling with the proportionality issue, a tax allowance works proportionally in the reverse way. You give everybody, let us say, for example, a £500 tax allowance to compensate for the increases in fuel prices and food. That is a big deal for people at the lower earning end. It is almost irrelevant for a 1(1)(k) but it is the right way to distribute money in the current circumstances. It is the wrong way to simply remove the tax where we know from the figures that simply benefits the people who spend a lot of money on food. So I say let us reflect on matters. We have had endless discussions, workshops, we have looked at every tax alternative imaginable. We have taken advice from the Crown Agents, who said the worst thing you could possibly contemplate is to follow the U.K. model of taxing food. We have looked at the examples from New Zealand, not as wealthy as we are, so their quintile separations show the bottom end to the top end is double the separation. Here in Jersey, a wealthier island, our separations on food across the quintiles are triple. We have looked at all these. We introduced income support in advance of G.S.T. as was promised. We introduced G.S.T. It was a struggle, not everybody liked it, but it was done and it appears to be working extremely well. All the predictions that were made in this Chamber appear to be coming true. Shops and retailers are absorbing the extra imposition of tax. So why now, 6 months down the line, do we suddenly want to change tack? The answer is we do not and what the public of the Island out there, and retailers incidentally, want from the States is some consistency. They are fed up with the chop and change **[Approbation]**. They are fed up with hearing we are going to do one thing and we end up doing something else and here we are on a major, major subject like tax and, extraordinarily, we want to change our minds 6 months down the line. It is absolutely not the way to go. So I say to Members, and I appeal to my colleagues on Council of Ministers, change your minds. Change your minds and do not be shy about it. This is a time to show leadership, to show leadership to the Island so that they can be confident that we have this one right and we did have it right. I very much regret that despite the good intentions of the Deputy of Grouville, removing this tax in this way is not the right thing to do in the public interest and I urge Members to show and demonstrate consistency and demonstrate leadership and vote against this proposition. **[Approbation]**

6.1.17 The Deputy of St. Martin:

I compliment Deputy de Faye, excellent speech, well done. I almost spoil it by saying if only he had shown the same passion about getting the incinerator right we may well have been better off by £40 million. Nevertheless, earlier on, as I say, what a long day it has been and earlier in the day, I think this afternoon, Senator Perchard reminded us I think it was about the fifth go we have had at trying to have a go at G.S.T. and I can even go further back because I was on the first scrutiny panel along with Deputy Duhamel and former Senator Vibert and Deputy Rondel from St. John and we looked at the G.S.T. It was quite clear. Indeed, it has been reinforced this afternoon by the Connétable of Trinity when they have looked at it. We looked at really at the end of the day, G.S.T. was the best option, providing it was kept simple and all embracing, and that is what the States went for and so be it. But where we are now because we have had this tinkering, we have find ourselves in a bit of a mess and what we have had today is almost like a merry-go-round but

with a domino effect because this morning we had the option of either replacing our G.S.T. with the U.K. system of V.A.T. which we know was flawed and, indeed, to use Senator Ozouf's words, "a nightmare", and the other option we had which was supporting Senator Norman's simple option really which was no G.S.T. at all and, of course, we would have saving on manpower, staffing, et cetera, from our side from the public sector and, of course, there would obviously be a big savings from the shops, et cetera, because their administration costs would have been reduced, so therefore there would have been a marginal difference but probably not as much as what we had hoped for. Even so, I thought it was a better option. Now we are looking at another option, again supporting replacing our G.S.T. with the failed U.K., or the complicated U.K., system or having something else which is not on the table today but will be on the table tomorrow. It is a shame it is not on the table today and this was what was Deputy Le Fondré's proposition, which we will certainly have to concentrate in our minds and certainly concentrate in mine and, looking across at the Connétables, they are supporting concentrating their minds too. The difficulty we have is that, albeit Deputy Le Fondré's was lodged a week ago, there are no comments from the Council of Ministers. They have known now for a week that there was this in the pipeline. In actual fact, if we look at Deputy Le Fondré, he is not just anybody, because he is Assistant Minister, very closely connected with the Treasury and the Council of Ministers, and yet there is no inkling along the line that this is coming. I find it rather surprising. What I would like to do, or would really implore, is to get maybe the Chief Minister on his feet to tell us why we should be now supporting what we have from the Deputy of Grouville as opposed to the option we now have from Deputy Le Fondré because, in fairness, it may well be I am doing an injustice to the Council of Ministers. They may not have been aware until the eleventh hour what Deputy Le Fondré is giving us. Also, very importantly, I would call on the Minister for Social Security to tell us in actual fact what are the great gains that would be gained if we did fail or did not support the Deputy of Grouville but waited until next week and supported Deputy Le Fondré. But I am certainly very much seduced by what Deputy Le Fondré has said and the way I am saying at the moment, I will not be supporting the Deputy of Grouville. **[Approbation]**

Senator B.E. Shenton:

I must admit I find this one of the most confusing debates that I have sat through. A few moments ago, we had the Deputy of St. John telling us how unpopular exempting foods was in ...

Connétable M.K. Jackson of St. Brelade:

If I may, on a point of order, if the Senator will allow me. The Senator is a director of the Channel Islands Co-operative Society **[Approbation]**. Is it right that a Member who is clearly conflicted should speak on this subject from the Chair, Sir?

Senator B.E. Shenton:

If he could explain why I am conflicted?

The Greffier of the States (in the Chair):

It is a matter for the Senator. He has given the explanation on previous occasions. It may be helpful if you gave the explanation again, Senator, why you do not feel you are conflicted.

Senator B.E. Shenton:

I am a director of the Channel Islands Co-operative Society but this is a tax on the consumer. This is not a tax on the business. It is a cost to the business and, if anything, exemptions will increase the costs slightly to the business. I do not feel I am conflicted in any way and I am also a shareholder of the Co-operative, which is probably more of a conflict, but, again, because of the way that it is structured, I do not believe that is a conflict either.

Senator S. Syvret:

On a point of order, by a similar token if we are going to go down this path, then Deputy Le Fondré should have also been debarred from taking part in this debate. He is the proprietor of a small business who is alleged by some Members to risk extra costs if this measure was introduced. Likewise, the Deputy of St. John. I could quite easily see a third of the Chamber having to leave.

The Greffier of the States (in the Chair):

Thank you, Senator. Declarations of interest are a matter for Members and they must take their own decision on this. I think that in the past, Senator Shenton, you have explained that your director's fee is not variable or related ...

6.1.18 Senator B.E. Shenton:

That is right, Sir. In fact, I believe the Constable of St. Brelade has a business as well. **[Laughter]** No, well, G.S.T., pays G.S.T. **[Aside]**. The Deputy of St. John mentioned how unpopular this move was and then said it was blatant electioneering in the populist view. I could not quite get my head around that one because how can something so unpopular in his parish be blatant electioneering? Senator Perchard came to me and said: "I am going to vote against it. I do not care if I get re-elected." He is not even up for election **[Laughter]** and maybe he believes that people have very long memories. Deputy de Faye, if he is not re-elected, I will miss his grasp of statistics. Yes, it is correct that people on higher incomes do spend 3 times as much on food, albeit they do eat out a lot more as well, but people on higher incomes earn 10 times as much income so there is a slight disjoint in there. Now, where I differ from the other politicians in the House, and it seems to me particularly the Constables' benches, is ... and along with I served on the Income Support Scrutiny Panel before I became a Minister and that was quite enlightening to learn how Income Support should work and what the mechanics of income support should be. I work on the basis that the idea of government or the concept of government should be to try and get people off income support as much as possible, to incentivise people to move off income support and those that cannot get off income support, to look after them. Now, what we are dealing here with G.S.T. on food is we are taxing people on the lower incomes. We are saying to them: "We will take the money off you in the form of a tax but do not worry, we will then give it back to you in the form of a handout." Now, the motto should always be a hand-up rather than a handout. You talk about the complexity of the G.S.T. system but can you really put in place a system where you are taxing the people who need the money the most. Deputy Le Fondré's proposition is flawed because there are a lot of people out there who do not want to start claiming Income Support, who are too proud to go down and claim benefits. They want to be independent. They want to do their shopping. They do not want to be paying G.S.T. on their food. You can give them tax relief, as Deputy de Faye said, but what about those in between income support who do not pay tax? What about the children and the families? How much do they get a benefit from it? The whole concept of taxing food is morally wrong. Economically, if you have an economist's hat on, it makes a lot of sense, but we are not in this Chamber to be economists. We are here to look after the public of the Island and I do find it very strange that the Constables in this Chamber seem to want to increase the reliance of the population of Jersey on the income support system rather than give them more independence. Maybe they enjoy handing out money and maybe they enjoy seeing people come up to them asking for a little bit of money.

The Connétable of Grouville:

Excuse me, Sir. That is completely incorrect. The people no longer come to us for money. It is now taken care of in the income support system.

Senator B.E. Shenton:

But you are encouraging them on to income support. The whole concept is you want a society that can support itself in a proud and independent manner **[Approbation]**. You do not want a society relying on Income Support and the handouts of politicians and other members of government.

When we were on the scrutiny panel, we brought up a number of amendments to the income support legislation that was going through including, as Deputy Martin said, an allowance for insulation and we got hardly any votes for it. I think part of it was the make-up of the Panel. It was another case of who is bringing the proposition as opposed to what is in the proposition and it is quite sad because if we went back and looked at some of those amendments that that Scrutiny Panel brought, many of them are very worthwhile and we are looking to increase the winter fuel allowance but we would not have had a winter fuel allowance without an amendment. We talk about the Fiscal Policy Panel and the fact that they say: "Keep it simple" but what Deputy Ferguson forgot to mention is they also said: "Make sure you do not fix G.S.T., keep it as flexible as possible and do not give out any policies like no redundancies or so on and so forth." They made a number of recommendations and I think it is wrong just to pick out one with regard to: "Do not change G.S.T." No doubt, if we had exempted food in the first place, they would have said: "Do not change it, keep food exempted." Finally, it is all very well people in this Chamber saying: "Make sure it is targeted, make sure it is targeted." I had this with the winter fuel allowance. In the U.K., the winter fuel allowance goes to everyone. This Chamber decided it has to be targeted, it has to be means tested. TV licences, I brought that back to the Chamber. Again, it had to be means tested, it had to be targeted. All through this debate, we have had to say: "Oh, we must not give it to someone who is slightly well off. We will tax everyone and then we will hand it back through the income support system or make people come to us and take the money back." Well, I will be very curious next week when we debate the provision of nursery care on a non-targeted, non-means tested basis because let us see how many double standards this Chamber has. Finally, I would like to say that this is not a U-turn by myself because I have always fought for G.S.T. exemption on food and I will continue to fight for G.S.T. exemption on food in the new House. Senator Perchard said that this is the fifth time it will have come to the House. Well, if it does not go through today, I can assure you that there will be a sixth.

Senator F.H. Walker:

With your consent and perhaps that of the House, I would sooner not start my speech now because I will go way through 5.30 p.m. because I have a certain number of things to say. I wonder if instead I could propose the adjournment until 9.30 a.m. tomorrow morning.

The Greffier of the States (in the Chair):

Does any Member wish to speak for 4 minutes? **[Laughter]**

6.1.19 Deputy K.C. Lewis:

I never exceed 4 minutes, Sir. I will be supporting this proposition. I find that a Goods and Services Tax on food is immoral. We are all aware that food prices have risen dramatically worldwide and I am not pointing fingers at the Council of Ministers for this. I know it was not intentional, but this Assembly could not have picked a worse time to implement a Goods and Services Tax on food. Since G.S.T. came in, I have seen pensioners buying bags of rice so that they can get several meals out of one bag and I have seen young families rummaging through the bargain near out of date food stock. Income Support, Sir, as Senator Shenton has said, should be a last resort and not a first one. Income Support is not a badge of honour. Jersey is the only jurisdiction I know of that charges tax on school dinners. The Deputy of St. John used an interesting boat analogy. I have one too. In 1863, they opened the very first underground station in London, the very first one. Why? What was the point? Where would they go? Nowhere. The point was they had to start somewhere. This proposition is not perfect but it is an excellent starting point. Sir, people do not have to buy the latest 85-inch plasma TV but everyone has to buy food and I will be supporting this proposition, P.103.

The Greffier of the States (in the Chair):

The adjournment was proposed. I just notify Members of one further comment that has been presented to the Assembly by the Minister for Planning and Environment. I understand it is in pigeonholes. It is comments on the eleventh amendment to the Business Plan. The Assembly stands adjourned until 9.30 a.m. tomorrow. Members will be alert that the Assembly only sits tomorrow morning.

ADJOURNMENT