

STATES OF JERSEY



GOODS AND SERVICES TAX: EXEMPTION OR ZERO-RATING FOR FOODSTUFFS, DOMESTIC ENERGY AND FUEL (P.36/2011) – COMMENTS

**Presented to the States on 16th May 2011
by the Corporate Services Scrutiny Panel**

STATES GREFFE

COMMENTS

1. In the report accompanying his proposition, Senator A. Breckon has cited parts of *Review of the Fiscal Strategy Review* (S.R.2./2011) which was presented to the States by the Corporate Services Scrutiny Panel on 2nd March 2011.
2. We fear that our report may have been cited out of context and that references to it in Senator Breckon's report and proposition may cause confusion amongst Members as to the conclusions we reached.
3. Senator Breckon's proposition asks the Assembly to agree that certain items should be exempted or zero-rated for the purposes of the Goods and Services Tax (GST). However, the question of GST exemptions did not form a focus of our review and no explicit reference is made to the issue in S.R.2/2011. Our report should therefore not be seen to support arguments for exemptions.
4. The purpose of our review was to consider the FSR undertaken by the Minister for Treasury and Resources in 2010. We concluded that Jersey should have a comprehensive, long-term Fiscal Strategy which incorporates both personal and business taxation and which strikes the right balance between direct and indirect taxation. Whilst the Minister has begun work on these matters, we concluded in S.R.2/2011 that the Island did not yet have a true long-term, wide-ranging Fiscal Strategy.
5. In relation to the specific issue of GST, our consideration was of the 2010 FSR proposals that GST be increased to 5%. As the Panel Chairman made clear during her statement to the Assembly on 2nd March 2011, we ultimately accepted that increase (particularly as the Assembly had already agreed to it alongside the other FSR proposals). However, we concluded that it had effectively been a short-term measure to address a short-term problem. The Minister disagrees with us on whether it was indeed a short-term measure. Nevertheless, we ultimately recommended that no further increases in GST should occur until expenditure was brought under control (i.e. we did not recommend revisiting the Assembly's decision to increase the rate to 5%). Again, our work on this matter did not include any exploration of whether items should be exempted.
6. We encourage Members to read our report for themselves and they will see how our conclusions have been taken out of context. While we are glad that Senator Breckon has read our report, he has evidently misunderstood and misinterpreted those conclusions. As a result, our report has been misused to indicate support for a stance which we have not in fact taken – and that on an issue that did not even form part of our review.
7. Please note: As Deputy D.J. De Sousa of St. Helier was not a member of the Panel during the bulk of the review of the FSR, she did not believe it appropriate to comment on matters relating to S.R.2/2011 and she therefore took no part in the production and presentation of these comments.