

2.7 Deputy K.C. Lewis of St. Saviour of the Minister for Treasury and Resources regarding the removal of G.S.T. on road fuel

Given that fuel costs continue to rise, will the Minister agree to remove G.S.T. from road fuel and if not, why not?

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

I am not minded to remove G.S.T. from road fuel. The States have, on various occasions, debated the desirability on social grounds of removing G.S.T. from various goods and services and there are further debates on such exemptions lodged for debate in the next session of the States. Let me say, first of all, that I am very concerned by the rising fuel costs and the potential impact this can have on our economy and the people of Jersey. Indeed, governments throughout the world are mindful of exactly the same issues. But we have purposely kept the G.S.T. system as simple as possible and I wish to keep it that way. If we want to reduce the cost of road fuel, a far better and simpler way is to reduce the level of excise duty currently charged. Can I remind Members that the total tax and duty on a litre of road fuel is about 44 pence a litre of which the G.S.T. element is only 3 pence. If we want to reduce the cost of road fuel for competitive reasons - and can I point out that compared with our 44 pence a litre the equivalent sum in the U.K. is about 67 pence a litre; elsewhere in Europe the figures will be similar or even higher - hence, on competitive grounds we are relatively well placed. Finally, I should remind Members why we and most governments tax fuel in the first place. The main objectives are to change people's behaviour and reduce the amount of car usage and to raise revenue. At the time when the world supply of crude oil is seen to be declining, and if we are to be environmentally conscious, it seems perverse to me we should take measures to decrease the duty and, hence, increase the consumption of road fuel. For all these reasons, while I do not see the merit of removing G.S.T. from road fuel, I will certainly agree to monitor the costs and view the situation in the light of any further developments. In the longer term, we must all explore ways in which we are less reliant on hydrocarbon oils.

2.7.1 Deputy K.C. Lewis:

Besides the fact that G.S.T. is placed on all 3 elements of road fuel we also have the fuel, the impôts duty and the road tax. Road fuel is expected to go up yet again. The higher the road fuel, the higher the cost of food. Will the Minister show the people of Jersey that he will do everything in his power to control inflation and either remove G.S.T. from road fuel or drastically reduce the impôts duty?

Senator T.A. Le Sueur:

The control of inflation remains one of my key priorities and addressing inflationary pressures is a problem we have to deal with on an ongoing basis. I am aware of the increase in costs of road fuel and, by that basis, prices will go up. I would remind the Member that duty is calculated on the volume of road fuel not on its value, so the duty level remains fixed even if the price doubles. But be that as it may, I accept the fact that this does cause inflationary pressures elsewhere, and purely road fuel, and that is why it is important we keep inflation constantly under control.

2.7.2 Deputy G.P. Southern:

Will the Minister not consider removing the G.S.T. element from the excise duty and, thereby, avoiding a tax on a tax on fuel?

Senator T.A. Le Sueur:

That seems to make a complicated system even more complicated. No, I do not think that is a good idea at all. If he wants to reduce the price of fuel, the simplest way is simply to reduce the duty, full stop.

2.7.3 Senator L. Norman:

I think the Minister said that one of the reasons for the impôts duty and the other taxes on motor fuel was to change people's habits and reduce people's dependency on motor fuel. Can he say how successful that has been and what reduction there has been in the consumption of motor fuel over the past few years?

Senator T.A. Le Sueur:

The short answer is, no, I cannot. There is no simple way of doing this. What I was doing was highlighting the fact that if we are to be environmentally conscious, if we are to be conscious of the need to reduce our carbon emissions, we will have to take more aggressive steps than simply saying: "Well, maybe we ought to do something about it." I was putting it in the context of the whole question.

Senator L. Norman:

If I could help the Minister the consumption of fuel in the Island has remained static for the last 10 years.

2.7.4 The Connétable of St. Helier:

Could the Minister advise us whether his calculations about road fuel use consumption would be assisted if the Minister of Transport and Technical Services had produced a transport policy in which that could be operated?

Senator T.A. Le Sueur:

The more information we have the better decisions we can make, but we have enough information, I think, at the moment as Senator Norman indicates, so that road fuel consumption at the present time has remained relatively static.