

4.10 Senator S.C. Ferguson of the Minister for Treasury and Resources regarding the imposition of Goods and Services Tax on aircraft fuel:

Given the Minister's recent optimistic comments regarding tax receipts, would he advise whether he is now contemplating imposing Goods and Services Tax on aircraft fuel and if so, why?

Senator P.F.C. Ozouf (The Minister for Treasury and Resources):

I am pleased to be able to answer this question to clear up some concern within the aviation community. Under the law, G.S.T. (Goods and Services Tax) is chargeable on fuel in respect of general aviation but not commercial aviation. Following the introduction of G.S.T., representatives from the aviation industry represented that applying G.S.T. to general aviation could damage the local economy and certainly compromise economic development plans to set up an Aircraft Registry. When G.S.T. was therefore introduced, it was agreed to suspend G.S.T. on the collection of general aviation pending the review of the Aircraft Registry. However, the charging of G.S.T. on fuel for those flights that take off and land in Jersey but do not land anywhere else was retained. This includes, for example, local training flights. I am advised by the Tax Department that although the charging for local flights was agreed with the relevant providers, it has not yet been implemented. It is now planned to do that although the amount is not material. This is not a change in policy but simply the putting in place of the law as it stands. The Treasury team will continue to work with Economic Development to ensure that G.S.T. is certainly not a barrier to Jersey establishing a competitive and, I hope, successful Aircraft Registry which will in turn create economic activity and jobs for the Island.

4.10.1 Senator S.C. Ferguson:

How far in the future is the Minister looking?

Senator P.F.C. Ozouf:

The Aircraft Registry is a matter for Economic Development and we will do everything we can to support the Minister and his team in setting up the Aircraft Registry. The fact is that this local issue of local training, local flights for private domestic use, certainly should be charged with G.S.T. The amounts are not material. I am advised that it is less than £10,000 per annum. That will be put in place by the department, I am told, with some degree of retrospectivity for the last few months.

4.10.2 Deputy M.R. Higgins:

When the Minister says, for example, the tax will be applied to local flights, pilot training is undertaken at Jersey Airport. Surely at a time when we are trying to encourage the growth in business in Jersey, a tax should not be applied to pilot training because, again, anyone coming into the Island is obviously spending money not only on the flying but also on accommodation and so on while they are here and it seems to me for a sum of less than £10,000 overall, this is probably a wasted effort and will the Minister consider not applying it at all?

Senator P.F.C. Ozouf:

I think it is quite clear. Jersey to Jersey flights should be charged with G.S.T. That would put the same arrangements on private aviation as exists in the marine area. I am always happy to receive representations on this but, of course, I think that Members would say that there is an unfairness in not charging effectively a pleasure domestic aircraft use in the same way that marine fuel attracts G.S.T. in that same way.

4.10.3 Deputy M.R. Higgins:

Sorry, just following up, in particular, pilot training which is a potential earner of money for Jersey. Does he think that should be subject to the G.S.T.?

Senator P.F.C. Ozouf:

I am hugely supportive of the growth of Jersey as an aviation centre. I think the Aircraft Registry has got huge benefits. The good work that the airport has done in now securing increased hangar space, all that is good, all that is very positive. I do not think that G.S.T. on aircraft fuel ... obviously, if it is a business expense, then that is going to be offsettable in the normal way with G.S.T. in the way that G.S.T. is applied and I do not think that there should be any difference. The amount is really not material and I certainly do not think it is a barrier to any of the aspirations that we have for setting up Jersey as a centre as the Deputy will want to, I am sure, support for aviation in the future.

4.10.4 The Deputy of St. Ouen:

What assessment has been undertaken by the Minister's department to determine the likely impact on our local economy by this introduction?

Senator P.F.C. Ozouf:

The issue is simply ... to be absolutely clear, when G.S.T. was originally approved, it was always clear that for Jersey to Jersey or pleasure aircraft for private aviation that is not commercial - the definition is quite complicated but I have tried to simplify it - it would be imposed. It is less than £10,000, as I ... I think it is about 40,000 litres. I do not think that it is going to be material. Indeed, I think the benefit, though, however, of putting an Aircraft Registry in place and using Jersey as a centre for aviation I think has lots of economic benefit but, of course, economic growth is a matter for the Minister for Economic Development and I can certainly get some information from him to talk to the Deputy about if he is interested.

4.10.5 The Deputy of St. Ouen:

Could the Minister confirm whether or not visiting aircraft will be exempt from paying G.S.T. on this general fuel?

Senator P.F.C. Ozouf:

We are getting into quite technical ground here. If a visiting aircraft is commercial aviation, then it will not be charged. If it is for pleasure aircraft, that is Jersey to Jersey, then it will not. I think it is very difficult to deal with the definitions of what is quite complicated and perhaps I could agree to send out a note of the definition of private aviation versus commercial aviation. I have got a whole series of lists of notes here and I will circulate those in order to assist Members.

4.10.6 The Deputy of St. Ouen:

Please... I could not have made my question clearer. I was talking about visiting aircraft. That does not, I do believe, describe Jersey to Jersey. This means France to Jersey, Guernsey to Jersey and so on. Perhaps the Minister could answer the question.

Senator P.F.C. Ozouf:

If it is visiting pleasure aircraft that fuel in Jersey, then I do not think that G.S.T. is charged on that, because that is effectively for private aviation, for pleasure purposes. But I need to check on the detail of that. I will circulate a note to the Deputy later on. These are certainly not material numbers at all.

4.10.7 The Deputy of St. Ouen:

One last question, Sir? The answer, I do not think, hardly encourage me to believe that much work has been done in this area. Could the Minister please confirm to all States Members and indeed those involved in the aircraft business and economy exactly what is being proposed before any introduction of G.S.T. on this general fuel?

Senator P.F.C. Ozouf:

Ministers deal with policy. The policy on this was set when G.S.T. came in. I am happy to circulate to Members the definition of what is private aviation, if that assists the Deputy. It is all about the size of aircraft, whether it is less than 8 tonnes, whether it has been designated or adapted for recreational use. The definition is really quite complicated. But, aviators understand it very well. I will circulate a note for the Deputy's benefit.

4.10.8 Senator S.C. Ferguson:

Just following on from the Deputy of St. Ouen. I think this is quite simple. If a private plane comes from England, stops in Jersey to refuel and goes on to France then that is a visiting aircraft. It is very useful for the tourist trade. These are the ones that, if they go to Guernsey, they will pay less for their fuel than they pay in Jersey. So, we do not want to put any more cost on the fuel in Jersey to send them away, because of the tourism effect. Does the Minister understand this?

Senator P.F.C. Ozouf:

The Minister understands this very well. One Minister - the Chief Minister - is asked questions on tax avoidance and the next minute I am being asked to put in place effectively a tax avoidance mechanism outside of the Jersey area. We do, as Ministers, get mixed messages sometimes. I do not believe that the imposition of 5 per cent of G.S.T. on aviation fuel is the barrier to visiting our fantastic Island. I have always received and the department has always received representations from industry. The bigger issue is setting Jersey up as an aircraft registry, which is not going to be affected by G.S.T. It is not, because corporate aviation is not covered.

4.10.9 Senator S.C. Ferguson:

Supplementary, Sir. The Minister has lost me entirely. Is he now saying that planes coming in as tourists from England, stopping off here to refuel, because they have nearly run out and then going on to France for a tour will pay G.S.T. on the fuel that is taken up in Jersey?

Senator P.F.C. Ozouf:

It depends on the size of the aircraft. It depends whether or not they are undertaking that trip for financial reward. I think the Senator knows better probably than I do the definition of what is commercial and what is not commercial aviation. It depends on a number of circumstances whether or not G.S.T. will be applied. Certainly we collect tax and tax is the right thing to do. In the same way that we have imposed G.S.T. on the marine... there is a cost for the environment of using fuel, there is a cost of using facilities and governments need to collect an appropriate level of tax. G.S.T. is a very low level of tax for private, domestic, pleasure use. If it is commercial then it is not charged for G.S.T.

Senator S.C. Ferguson:

The Minister is saying that he is changing the practice and he will be charging. Is that correct?

The Bailiff:

Senator, we have spent a long time...

Senator P.F.C. Ozouf:

That is not what I have said.