

2019.07.02

2 Deputy S.M. Ahier of St. Helier of the Minister for Treasury and Resources regarding the application of the Goods and Services Tax (G.S.T.) *de minimis* clause applied to internet purchases: (OQ.174/2019)

Will the Minister advise the Assembly whether she intends to remove the *de minimis* exemption clause from G.S.T. (goods and services tax) on internet purchases?

Deputy S.J. Pinel of St. Clement (The Minister for Treasury and Resources):

In accordance with longstanding practice, revenue raising proposals will be announced as a complete package and all at once. This year they have been announced as part of the Government Plan. As part of the process of receiving and considering representations from representative bodies and trade associations, I have invited views on the question of the G.S.T. *de minimis* level, which is an administrative solution reflecting the break-even costs of collecting relatively small amounts of G.S.T.

3.2.1 Deputy S.M. Ahier:

Local retailers have to pay G.S.T. on freight when they import goods and then charge G.S.T. when they sell the product. But if the same item is purchased online and delivered to their front door there is no G.S.T. to pay. Does the Minister intend to address this iniquity?

Deputy S.J. Pinel:

Historically £12 of G.S.T., which is £240 of goods after G.S.T. increased to 5 per cent, was deemed to be the break-even point but improvements in customs and postal procedures, as well as the way online retailers manifest shipped goods, now suggests a lower break-even point, possibly as low as £100. The retailer situation, Members will know that I have been discussing with stakeholders whether it might be sensible in the interim to reduce the *de minimis* level to reflect the lower break-even costs of collecting G.S.T. on imported postal goods arising from improved productivity in Jersey Customs and Jersey Post.

3.2.2 Deputy G.J. Truscott of St. Brelade:

I agree with Deputy Ahier. It really is about a level playing field. I have been in retail in the past and certainly local retailers do feel the squeeze, (1) from the internet and (2) to the fact that they are having to charge G.S.T. where plainly anything under £240 currently does not get charged. Has the Minister any idea of how much revenue on current figures coming into the Island could be gained from reducing the *de minimis* in the Island?

Deputy S.J. Pinel:

I also agree with both Deputy Truscott and Deputy Ahier; it is not a level playing field. I want to stress that this is largely about fairness and removing as soon as feasible the unfair treatment of goods supplied by online retailers. The amount of revenue from it at the moment is about £600,000.

3.2.3 Deputy R. Labey of St. Helier:

Does the Minister recognise that certainly at the last election one of the biggest, if not the biggest concern, for my constituents was the cost of living in Jersey and that internet shopping provides an important way of keeping the cost of living down for households?

Deputy S.J. Pinel:

Yes, I do agree and it is an expensive place to live and online shopping does. But then one has to bear in mind that there is the fairness to the local retailers that has to be considered as well. It has been a longstanding policy to abolish the *de minimis* once the E.U. (European Union) has introduced its planned changes. That is probably going to be in 2021 and Jersey would follow suit, in that case.

3.2.4 Deputy J.M. Maçon of St. Saviour:

Does the Minister acknowledge that even under the current levels if packages are over the threshold what people do is they split them into 2 orders therefore come under the threshold, and this practice will continue under any drop of the *de minimis* level and therefore there is a possibility of putting in more civil servants without collecting any money whatsoever?

Deputy S.J. Pinel:

Yes, I do appreciate that and we know that that happens and if we reduce the *de minimis* it would probably still happen, which places an extra burden on Jersey Post and deliverers. But, as I say, when the E.U. changes their initiative we will follow suit.

3.2.5 Deputy M.R. Higgins of St. Helier:

Does the Minister - she says that she believes in fairness for the retail trade - believe in fairness for the consumer who by many retailers is being charged an extra 20 per cent, which is the equivalent of the V.A.T. (value added tax)? So we are being charged at the same prices as U.K. (United Kingdom) consumers. Will she do anything about that?

Deputy S.J. Pinel:

It is certainly something the Government is discussing and trying to address but it largely depends on E.U. and what they charge. For instance, Amazon is always a good example because they will eventually, with the new directive, have to take the tax from whichever country they are delivering, whatever the V.A.T. equivalent is, and take that off and then return it to the country in question.

3.2.6 Deputy M.R. Higgins:

The Minister is relating it to internet sales and V.A.T. by people like Amazon. But what about the ordinary retailer in the Island that is charging U.K. prices, 20 per cent, which is higher than it should be within the Island?

Deputy S.J. Pinel:

Yes, as I have said, I agree with the Deputy and it is not all local retailers that do that. But some do and if it is U.K. companies it is very difficult to enforce them not to charge.

3.2.7 Deputy K.F. Morel:

Of course, competition is one way to ensure that prices are brought down and 20 per cent extra is not charged, does the Minister appreciate the ridiculousness of a situation whereby her own policies mean that it is harder to set up a new competitive retail business in Jersey precisely because you are competing on an unfair playing field and therefore we have reduced competition in the Island. Does the Minister accept there is a ridiculousness in her policies on this matter?

Deputy S.J. Pinel:

I do not think it is necessarily a ridiculousness on my policies. We have had the *de minimis* level for years, since G.S.T. came in. I have already said in answer to 2 questions that I do understand that it

is about fairness and removing, as soon as feasible, the unfair treatment of tax on goods supplied by online retailers.

3.2.8 Deputy M. Tadier of St. Brelade:

Does the Minister agree that one of the reasons that G.S.T. is so controversial fundamentally, whether it is to do with *de minimis* or generally, is that G.S.T. is a fundamentally regressive tax in that somebody who has to spend all of their income on-Island on the essentials of life will be paying a higher rate of G.S.T. effectively than those who do not spend all of their income? Therein lies the fundamental problem.

Deputy S.J. Pinel:

No, I do not agree. I think G.S.T. is one of the more broad, fair and simple taxes inasmuch as everybody pays it. Even tourists pay it so I do not agree with the Deputy on this one.

Deputy M. Tadier:

Supplementary, if I may.

The Bailiff:

That was really not a follow-up question. A supplementary question on the question which was first lodged by Deputy Ahier ...

Deputy M. Tadier:

This is a follow-up question on one of the themes that the Minister has raised. She said that she is committed to a level playing field when it comes to taxation and that is a principle presumably she follows in her policy making. Does that extend to the inequality between 1(1)(k)s who pay 1 per cent of tax and other locals who pay 20 per cent of tax?

The Bailiff:

That is not a supplementary on G.S.T.

Deputy M. Tadier:

Is this simply about punishing those with the least ability to purchase ...

The Bailiff:

Thank you, Deputy.

Deputy M. Tadier:

... who are forced to go overseas?

The Bailiff:

That is not ... will you sit down please? Deputy, will you please sit down? That is not a supplementary on *de minimis* exemptions from G.S.T.

3.2.9 Deputy S.M. Ahier:

Does the Minister agree that we need to have a level playing field to encourage competition and to enable local shoppers to buy goods at the same G.S.T. rate, whether they are bought online or at Jersey retail outlets?

Deputy S.J. Pinel:

Yes.