

2020.06.30

6 Senator S.C. Ferguson of the Minister for Treasuring and Resources regarding the online purchase of goods in Jersey from large online retailers: (OQ.182/2020)

Will the Minister advise whether she will negotiate with Amazon, and other large online retailers, in order to ensure that they deduct V.A.T. (value added tax), and add G.S.T. (goods and services tax), to the cost of goods ordered online in Jersey; and if not, why not?

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

It is longstanding policy that Jersey will be a fast follower of the European Union in making the changes which the Senator envisages. I understand that the E.U. (European Union) will make such changes in summer 2021 requiring retailers to charge the taxes of the destination country and remitting them to that country. It is generally considered that once large retailers have built systems to accommodate E.U. requirements they will be more prepared to do the same for smaller jurisdictions, such as Jersey, and will be asking officials to review the way in which Jersey charges G.S.T. on imported goods for personal use with a view to modernising the system. We will be looking at the 2 main viable options for modernisation. One requiring offshore retailers to account for Jersey G.S.T. and pay it to the Treasury; the future E.U. model as I have just described. Or the other, increasing the role of Jersey Post and freight forwarders in tax administration to relieve the burden on Jersey Customs. This is the current U.K. (United Kingdom) model. The review will not commence until later in 2021 when we can see how similar changes have been implemented in the E.U. It is my understanding that Amazon do currently zero rate goods bound for Jersey consumers, which are then subject to G.S.T. in Jersey if their value exceeds £240 or £135 from 1st October 2020, as I announced earlier last week. Not all offshore retailers do follow that good example. Treasury did some work in 2018 to try to engage offshore retailers with little success. However the power really is in the hands of the consumers, preferably to buy locally, otherwise from offshore retailers who price goods fairly. The *Jersey Evening Post* campaign to persuade Sky TV to zero rate its services is a shining example of that.

4.6.1 Senator S.C. Ferguson:

Does the Minister not understand there is a degree of urgency going on here? To leave until 2021 something which should be started now, it is more logical to do the price adjusting for V.A.T. and G.S.T. at the beginning of the cycle, at the point of ordering. I find it very difficult that it is being treated with such a lack of urgency when the repricing with the view to repealing G.S.T. in due course does not seem to be on the table. Will the Minister start negotiating earlier - in fact now - rather than leaving it until 2021?

Deputy S.J. Pinel:

I understand the Senator's request for urgency but as I said in my opening remarks, Treasury did quite a considerable amount of work in 2018 to try to engage offshore retailers but with little success.

[10:15]

Until we follow what the E.U. are putting in practice and their systems, which will enable us to deal with this, we would not then have the G.S.T. resorted to Treasury.

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

I would also like to agree with Senator Ferguson that the Minister for Treasury and Resources should move forward on this because is she not aware that the United States Government is opposing E.U. plans to tax the tech companies, such as Amazon, and therefore it may result in a trade battle between the United States and Europe, which means it may be many years before any action is taken?

Deputy S.J. Pinel:

I have also said that we will start work to do a review on this in 2021 when we see what the E.U. have introduced because, whether we continue to follow the U.K. model or whether we go with the E.U. model and have all companies charging tax at source on their retail exports and referring that tax, be it V.A.T. or G.S.T., back to the country of destination, there is not much more we can do to speed that up until we can see where other countries are going.

4.6.3 Deputy M.R. Higgins:

The Minister is bringing in proposals to reduce the *de minimis* level to help local retailers but local retailers have been charging the equivalent of U.K. V.A.T. since at least the last 12 years. What steps will she take to prevent local retailers effectively ripping off Jersey consumers and also taking away their ability to buy cheaper goods from the U.K.?

Deputy S.J. Pinel:

I would like to correct the Deputy. It is not taking away people's ability to buy goods from the U.K., and that was one of the main reasons for deferring the introduction of the *de minimis* level was because of the COVID introduction. We were very aware of the fact that a lot of consumers would prefer or almost have to shop online hence it was deferred until October because of that very reason. But the measure of reducing the *de minimis* level from £240 to £135 was part of the Budget and Government Plan last year agreed by the Assembly, and it will eventually be removed altogether possibly, as I mentioned earlier in 2021 when the E.U. reassesses its situation, in which case we will be again a fast follower and remove it completely. At the moment it stays at £135 from 1st October.

Deputy M.R. Higgins:

The Minister has not answered the question about what she is going to do about local retailers who are charging the equivalent of V.A.T. to local residents.

Deputy S.J. Pinel:

There is not a lot one can do about local retailers charging V.A.T. If they choose to do that, which pushes their prices up, then it is down to the consumer to be able to shop around.

4.6.4 Deputy S.M. Wickenden of St. Helier:

Is the Minister aware that in Australia they tried to force Amazon to do exactly what the Senator is suggesting, which is to charge their version of V.A.T. or G.S.T., and in the end Amazon cancelled Australia's ability to use the global Amazon and now they have their own Amazon that they are only allowed to use locally to buy local products around Australia but they cannot do anything in the wider network, either sell or buy?

Deputy S.J. Pinel:

Yes, I was aware of that. As the Deputy quite correctly says, Amazon have removed Australia albeit not for ever but temporarily from their distribution list. We would not want to chance the same thing happening here.

4.6.5 Senator S.C. Ferguson:

In this technological age, the approach being taken by the Treasury is that of the 1980s. They really do not appreciate the technology behind this. It is all right to quote Australia but the market has moved on. The E.U. are coming in on it, this sort of thing. If the Minister does not take advantage of the technology as well as the urgency required does she not realise that she does not understand the scope of technology today and that she needs to consider her position? When will she start negotiations?

Deputy S.J. Pinel:

I think I have already answered that, in my opening remarks and also in answer to other questions, that we are not behind in our technology but it is depending on what the E.U. do in summer 2021, so a year away, as to whether we follow that or whether we stay with the Customs Union and the U.K. method of collecting G.S.T. as to quite how we follow this. It is not a matter of technology. It is a matter which option we take.

Senator S.C. Ferguson:

I would suggest ...

The Deputy Bailiff:

You have had your final supplementary, Senator, and your questions have been answered by the Minister.

Senator S.C. Ferguson:

No, she has not said exactly when she is going to get started on this. It is no use saying 2021, please. We do need a degree of urgency.

The Deputy Bailiff:

Senator, you have made your point. Minister, have you given an answer to the question?

Deputy S.J. Pinel:

Yes, I did, in my opening remarks. I said the review will commence later in 2021.