

6. Statement by the Chairman of the Corporate Services Scrutiny Panel regarding G.S.T:

The Bailiff:

We come now to a statement by the Chairman of the Corporate Services Scrutiny Panel and I invite him to make it.

6.1 Deputy P.J.D. Ryan of St. Helier (Chairman, Corporate Services Scrutiny Panel):

The Corporate Services Sub-Panel on G.S.T. will shortly be issuing its third report; I am reviewing its final draft now. This will deal with the draft Regulations which are due to be debated in this Assembly on 23rd October 2007. However, I have decided to make a statement on this occasion, prior to that debate, because of a matter of concern that has arisen in the course of this stage of our review. The draft Regulations provide for the supply of hotel accommodation to be zero-rated for a temporary period until 1st January 2007. The reasons for this extension are covered in our report; there is not the time to delve into them. The concession to the hospitality sector came as a surprise to us, as it appeared in the draft Regulations without any previous notification that this was being considered. We were given no indication of these negotiations at the time of our public hearing with the Minister in August of this year. In contrast, we had received prior notice of the intended policy decisions on other exclusions which have been incorporated in these Regulations. We were concerned to discover that the estimated revenue loss for 2008 as a result of this extension is around £750,000. While we appreciate that, in principle, transitional arrangements are part of the normal course of affairs in the introduction of a new tax, there are a number of features in this case which give us cause for concern. My reasons for raising this issue now are about the way this extension was introduced into the draft Regulations at a very late stage. Firstly, we believe that the extent of the loss of revenue and a sum of this nature ought to be accountable in a more transparent way. In our view, and without evidence to the contrary, the hospitality industry will, in effect, be receiving through this proposal a significant market subsidy for 2008. A solution might have been for the matter to have been raised by the Economic Development Minister in the debate on the States' Business Plan. We simply have been given little opportunity to fully consider the implications of the proposal. Secondly, we believe that the hospitality sector have had adequate notice of the introduction of the tax and ought to have made provision for the tax in their holiday brochures for the forthcoming year in good time. It seems disappointing that the matter was brought forward by the tour operators at a very late stage and that pressure was applied on the Minister to make a decision within a short timescale. Thirdly, the late introduction of this proposal appears to us to parallel the attempt to introduce certain late amendments in the principal Law in relation to the treatment of the financial services industry. We successfully resisted that development, Members will recall, at the time, on the grounds that the proposal had not been properly scrutinised. Further detailed discussions have ensued between the Treasury and stakeholders on that matter and we will have an adequate opportunity to scrutinise the proposals before they are brought back to the States for consideration in the next set of regulations. We are disappointed that in both cases the normal Scrutiny process was bypassed due to pressures applied to the Minister by stakeholders at a late stage in the preparation of legislation. We are concerned that decisions may be made in these circumstances without full consideration of alternative options. It is our role in Scrutiny to ensure that such decisions are challenged and, if necessary, reconsidered. Having given much careful consideration to this proposal, we have reached the conclusion that it would not be in the best interests of the States to seek to change the arrangements that have been agreed in principle with the hospitality industry. We understand that this would cause serious disruption to booking arrangements now for 2008. Nevertheless, we urge the Minister not to assume our assent in future to significant policy decisions and also to make stakeholders aware of the importance of early involvement of the Scrutiny function. Finally, we would make the point that, in general, the co-operation we have received from the Treasury and Resources Department in the course of our review of G.S.T. legislation has been

very good. Information and discussions at formal and informal levels have usually been, other than these few cases, informative and helpful.

6.1.1 Deputy G.P. Southern:

Could I seek a point of clarification? I heard and read 1st January 2007 in the second paragraph; is that really what the Chairman is saying? Is that 1st January 2009?

Deputy P.J.D. Ryan:

Sorry, Sir, that is a typographical error; that should read 1st January 2009.

6.1.2 Senator T.A. Le Sueur:

Would the Chairman of the Corporate Services Panel accept my apologies for not keeping him informed on this occasion? We do have a good working relationship; I am sorry that this one has sullied it. It happened in the middle of the summer recess when at some stage I was away and at other stages ... for whatever reason, anyway, communications were not adequate and not what they should have been. There has been subsequent communication, but I can only apologise to him for not having the timing correct in this instance.

Deputy P.J.D. Ryan:

I thank the Treasury and Resources Minister for his apology, and it is accepted. Could I just caveat that slightly: the position with the financial services industry and a very late amendment was also apologised for and was accepted. I would just say to the Assembly that once is a mistake; I begin to wonder about twice and I would certainly hope that 3 times would never happen.

6.1.3 The Connétable of St. Helier:

Would the Chairman of the Panel advise whether his Panel is investigating similar problems being faced by other groups that have yet to be offered exemptions; I am thinking of charities in particular? Do his concerns not suggest that to some extent - if I can, not to mince my words - the finer detail of G.S.T. seems to be being made up as we go along?

Deputy P.J.D. Ryan:

I am not sure what the Connétable is referring to in the case of charities. We have certainly done a considerable amount of work on charities and our view is that as far as charities are concerned the arrangements are extremely good and are considerably better than most charities in other jurisdictions; I would almost say all charities in other jurisdictions, but I cannot quite say that because I do not have the final information. I am afraid I can make no comment finally about the Connétable's last part of his question. As far as my Panel is concerned, generally speaking the arrangements are good but there are one or 2 areas where we are concerned and we have not had, as my statement says, a chance to look into these interim arrangements or these transitional arrangements for the hotel industry.

6.1.4 Deputy A. Breckon:

I wonder if the Chairman of the Corporate Scrutiny Affairs Panel is aware of any other pending concessions or exemptions due to stakeholder pressures that may be forthcoming. I have in mind perhaps for senior citizens on foodstuffs, basic essentials and utilities.

Deputy P.J.D. Ryan:

My Panel's view on these other pressures on G.S.T. is fairly well known. I have a little bit of a quandary, although quite clearly I am standing here as the Corporate Services Panel Chairman. My own personal view on such things as zero-rating, as I am sure that the Deputy and the Assembly are aware, is slightly different to the Panel's view. The Panel's view is that the States have made a decision to start G.S.T. - or to have a G.S.T. - with as few exemptions and zero-ratings as possible and I think that our previous reports have quite clearly shown what the revenue implications are of zero-ratings on these other sectors. I do not think there is much more that my Panel can add to that. It is quite clear from our previous reports we have done an awful

lot of work on what those various implications are in revenue terms, and our view is that the States have made a decision and we hopefully have assisted the States by providing information to come to that decision. That is the decision that has been made on the various ratings and exemptions.

6.1.5 Deputy S.C. Ferguson:

Just a point of clarification. The exemption seems to be based on a matter being brought forward by the tour operators. Are these local tour operators or external tour operators coming into the Island?

Deputy P.J.D. Ryan:

My answer to the Deputy is I wish I knew because I wish I had had the opportunity to scrutinise it, and I do not have the information.

6.1.6 Deputy G.P. Southern:

Is the Chairman aware of one of the conclusions arrived by my own Scrutiny Panel looking at price marking and charging, that the absence of exemptions on food will have significant costs for those who bring food into the Island, which is automatically priced for the U.K. market, such as the Co-Op and other big food supermarkets? Does he believe that this will have a knock-on effect on inflation and the costs of G.S.T. on implementation?

Deputy P.J.D. Ryan:

I do not think it is the right time that I enter into a debate on price marking when my statement was specifically about a transitional arrangement and a zero-rating for the hospitality industry. I think that the States will have the opportunity in the fullness of time to debate that in some real detail and I look forward to that point when I will make my own comments on that one. I am not sure that this is the appropriate time to have a special debate about price marking.

6.1.7 The Connétable of St. Helier:

In his statement, the Chairman referred to the lost revenue of £750,000. Would he not agree with me that what this amounts to is £750,000 that will not be taken from the pockets of our prospective visitors?

Deputy P.J.D. Ryan:

The straight answer is yes, I would agree with the Connétable, but I would also remind the States that they made the decision in principle that one of the essential and basic elements of the G.S.T. design was that we would be able to export some of our tax base through charging some of the tax to off-Island visitors. That was seen as an advantage rather than a disadvantage.

6.1.8 Deputy G.P. Southern:

Is the Chairman of the opinion that with such late amendments and changes to G.S.T. Law, it is inappropriate to be debating the whole issue on 23rd October?

Deputy P.J.D. Ryan:

I will leave that up to the Assembly to decide; that is not something that I would like to comment on.