

STATES OF JERSEY



REVIEW OF DRAFT GOODS AND SERVICES TAX REGULATIONS (S.R.19/2007): RESPONSE OF THE MINISTER FOR TREASURY AND RESOURCES

**Presented to the States on 20th November 2007
by the Minister for Treasury and Resources**

STATES GREFFE

REVIEW OF DRAFT GOODS AND SERVICES TAX REGULATIONS (S.R.19/2007): RESPONSE OF THE MINISTER FOR TREASURY AND RESOURCES

1. Introduction

My overall reaction to this Report is that it is a comprehensive, considered and well-researched review of the draft Regulations. It is consistent with, and complements, the 2 previous reports on Goods and Services Tax (GST).

2. Findings in the Report

- (a) **Administrative and technical procedures in relation to the States businesses** – I am pleased the Panel is satisfied that the proposed procedures are in accordance with standard practice in other jurisdictions.
- (b) **Margin scheme for second-hand vehicles** – This scheme was previously considered and recommended in the Scrutiny Report on the draft Law (S.R.7/2007: paragraphs 99-108). The continued support for this scheme is appreciated. As stated, similar schemes for other types of second-hand goods will be considered on an individual basis.
- (c) **Refund scheme for Charities** – I am very conscious and supportive of the work carried out by Charities and the special role they play in Jersey. As a result, I was keen to honour my previous commitments (the pay and claim scheme). The total package with exemption for supplies is probably the best anywhere in the world and certainly avoids the complexity under the U.K. Value Added Tax (VAT) system.
- (d) **Review of definition of Charities** – Whilst I am not entirely sure that the Income Tax Office is the appropriate department to undertake such a review, I do agree that a review should be undertaken. While this review would not be retrospective, it would apply to future requests for charitable status in respect of the Income Tax Law.
- (e) **Non-Governmental Charities Commission** – as the Panel points out, there has been a consultation paper issued by the Jersey Law Commission. In addition to this, the Jersey Financial Services Commission has also carried out some work in this area. I would agree that the setting up on an independent Commission would be advantageous.
- (f) **Exemptions for childcare, private schools, and burial and cremation services** – I believe that it is right and necessary to ensure equity in relation to the costs for childcare and the non-charity fee paying schools. In respect of the burial and cremation exemptions, as highlighted in the Panel's Report, the exemption is targeted and manageable.
- (g) **Zero-rating of the conversion of non domestic buildings to residential use and the disposal of a business as a going concern** – This addition to allow zero-rating in respect of the conversion was recommended by Scrutiny in their second Report. It provides a measure of equity in respect of those people who are doing a real, genuine conversion. The zero-rating on the sale of a business is a standard provision and was added to remove any ambiguity.
- (h) **Zero-rating extension of hotel accommodation until 31st December 2007** – I reiterate my apology to the Panel for not informing them of this proposed Regulation sooner which prevented them from having the opportunity to fully consider the implications. This was not intentional or deliberate. Due to the uniqueness of the industry, difficulties were being experienced in relation to the production of Jersey holiday brochures for next year – traditionally contracts are negotiated annually in July and the brochures printed around August/September. The hoteliers and tour operators were experiencing problems this year in respect of the inclusion/exclusion of GST – particularly as at that time the actual start date was not fixed. Under existing transitional

arrangements already in the GST law hotels could zero-rate accommodation supplied to tour operators under non-renewable contracts. However, they would have to charge GST themselves when making the same supply directly to a customer. Naturally the hotels were not happy with this prospect.

The Regulations will now allow the supply of hotel accommodation to be zero-rated for a transitional period only (from the start of the tax on 1st May until 31st December 2008). From 1st January 2009 all such supplies will then be subject to 3% GST. This treatment, which has been welcomed by the Jersey Hospitality Association, is intended to provide a measure of equity for a finite period only.

3. Recommendations in the Report

The recommendation regarding the review of the definition of charities is accepted.

4. Conclusion

I accept the findings of the Panel's Report and the recommendation as stated above. The Corporate Services Scrutiny Panel has been complimentary on the co-operation received from the Treasury and Resources Department and I would like to thank them for their efforts and the work they have carried out in relation to the GST Regulations. I look forward to receiving their further input on the Financial Services Industry Regulations in due course.