
STATES OF JERSEY



GST PERSONAL IMPORTATION REVIEW: PHASE 1 (S.R.15/2021) – RESPONSE OF THE MINISTER FOR TREASURY AND RESOURCES

**Presented to the States on 17th January 2022
by the Minister for Treasury and Resources**

STATES GREFFE

**GST PERSONAL IMPORTATION REVIEW: PHASE 1 (S.R.15/2022) –
RESPONSE OF THE MINISTER FOR TREASURY AND RESOURCES**

Ministerial Response to:	S.R.15/2021
Ministerial Response required by:	19 January 2022
Review title:	GST Personal Importation Review: Phase 1
Scrutiny Panel:	Corporate Services Scrutiny Panel

INTRODUCTION

The Minister welcomes the report of the Panel and the support of the States Assembly for this important measure. The Minister's detailed comments are set out below.

FINDINGS

	Findings	Comments
1	Revenue Jersey has undertaken a review of the GST Personal Importation system to ensure that Jersey would be a "fast follower" of developments on customs taxation in the UK, and thus establishing a more level playing field between goods sold on the high street in Jersey and those imported via online stores.	<p>It is a long-standing commitment of successive Governments to be a "fast follower" of the EU and (since Brexit) the UK in requiring large retailers to register to pay VAT in the countries of destination of their supplies of goods.</p> <p>This would further "level the playing field" in Jersey's marketplace between goods imported by local businesses for retail sale and goods imported direct by private individuals from offshore retailers. Being a "fast follower" rather than an "early adopter" reduces the risk that large offshore retailers might restrict the range of goods they offer for sale in Jersey.</p> <p>The Review was led by Revenue Jersey but represents a collaboration between Revenue Jersey and Jersey Customs, drawing on import data largely held by Jersey Customs and existing GST registration data held by Revenue Jersey. Some of this data is taxpayer-confidential and cannot be shared with the Panel but, where possible, officers have provided aggregated data, suitably anonymised, in private briefings.</p>
2	If approved in the Government Plan 2022-25 the GST de minimis will be lowered from £135 to £60 on the 1st	Offshore retailers whose aggregate value of dispatches to Jersey exceed £300,000 will be

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	January 2023, with offshore retailers whose imports exceed £300,000 to be required to charge GST at the point of sale.	obliged to register for GST; others may register voluntarily.
3	The GST de minimis if lowered on the 1st January 2023 will, according to Revenue Jersey, enable the necessary changes to software and administration to be made by key logistics firms and retailers.	It is normal practice to allow a suitable time period for businesses to make changes to accounting and till systems to adopt new VAT/GST legislation. A full year is considered sufficient on this occasion.
4	Revenue Jersey did engage with some of the larger offshore retailers (including Amazon) whilst gathering evidence for its GST Personal Importation review and has reported its interpretation of the outcome of this engagement in its report, but the direct detail has remained confidential and has not been shared with scrutiny or stakeholders to enable justification of key decisions.	<p>Revenue Jersey has not received permission to share the limited written communications it has received which largely were transacted under the normal rules binding the Comptroller (and the Agent) to taxpayer confidentiality.</p> <p>The Minister did offer the Comptroller's assistance to the Panel to help them seek to engage with some offshore stakeholders. While that offer remains open, it is likely that large offshore retailers will make their views known publicly if they do have substantive concerns with the draft legislation.</p> <p>The draft legislation has now been circulated widely in the UK through the auspices of the Confederation of British Industry and the British Retail Consortium.</p>
5	Smaller offshore retailers whose imports are less than £300,000 will continue to utilise the existing systems of declaration. However, concern has been raised that the existing systems are over complicated and time consuming for both business and consumers.	<p>Smaller offshore retailers can register for GST voluntarily which would ease movement of their goods into Jersey and that approach appears to be supported by local businesses concerned in delivering their goods.</p> <p>It is not clear if the difficulties encountered by both business and consumers relate to changes imposed due to BREXIT. Importing goods from the EU has become more complicated and the use of professional customs agents is often recommended.</p> <p>The draft Government Plan provides funding to improve the customer portal within the CAESAR</p>

	Findings	Comments
		system, but the changes cannot mitigate the new formalities imposed by BREXIT.
6	Revenue Jersey has not provided data sets within its report or in the Government Plan to substantiate and justify the reduction to a £60 GST de-minimis and concern has been raised by core stakeholders that some of the data may not have been suitably extracted.	<p>Available data has been shared by Jersey Customs with the Sub-Panel. Inevitably, limited data exists with regard to movements of goods below the existing De Minimis level. The Sub-Panel is invited to share the detail of concerns with the Minister.</p> <p>It is however, because of lack of extensive data on lower-value consignments (below the existing De Minimis level), prudent to move to a lower De Minimis level of £60 as the next step - rather than move directly to abolish the De Minimis level.</p>
7	The impact of changes to the GST de-minimis for low-income families and the use of the Community Cost Bonus was not considered by Revenue Jersey in its review.	<p>This issue was not included in the Review's Terms of Reference (provided to the Panel early in 2021) because the De Minimis level is not a tax allowance and would probably be unlawfully discriminatory if it were.</p> <p>Since the inception of GST, successive Governments have provided - and improved - what started out as the GST Bonus and is now the Community Cost Bonus.</p> <p>The GST Bonus calculation examined the average household shopping basket of lower-income families and assumed all goods would be bought at GST-inclusive prices in Jersey. The Bonus has been revalorised since to take account of the increase in GST (from 3% to 5%) and other considerations, including inflation. To this extent, due regard has already been given to the additional costs of GST.</p>
8	The proposed Government Plan 2022-25 provides for additional funding to improve the customer portal and other software within the Customs and Excise System for the Administration of Revenue system, to make it easier for Islanders to make declarations about private importations and to account for GST not charged at the point of sale.	<p>The draft Government Plan provides funding to improve the customer portal within the CAESAR system, but the changes cannot mitigate the new formalities imposed by BREXIT.</p> <p>A more fundamental contract review of the CAESAR system will also be taking place over the coming years.</p>

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9	Although Royal Mail have undertaken to manifest all goods coming to Jersey from the Spring of 2022, the Revenue Jersey report is silent on any potential consequences of this action. Royal Mail were not contacted or engaged by Revenue Jersey as part of the consultation process for its review.	This issue of manifesting fell outside the Terms of Reference of the Review but would be a welcome development which was noted in the Report of the Review and which will improve the movement of goods and the proper collection of GST.
10	Any failure of offshore retailers to register with Jersey and take payment at the point of sale could be problematic for logistic providers as they will be at the front line of processing unmanifested goods and could require additional storage and costs to consumers.	The registration of offshore retailers may actually reduce (rather than increase) the volume of such logistics problems. Consumers will remain responsible for accounting for Import GST on goods bought from unregistered offshore retailers using existing processes.
11	The proposed Government Plan 2022-25 accounts for additional staff who will be required to administer the lower GST de minimis level. The project summary also identified that additional staff will be provided consisting of three core roles: - Call Advisers based at Customer and Local Services; - Office Assistants responding to more complex enquiries based at Jersey Customs and Immigration services; and A Warehouse Officer responsible for the storage and disposal of goods based at Jersey Customs and Immigration services.	The Government expects to maintain a 5:1 cost/benefit ratio on the recovery of GST at the margin of the De Minimis level.
12	The project summary in the Government Plan 2022-25 outlines that the additional GST receipts will yield “£1.3 million” and will be offset by more consignments detained by Jersey Customs and Immigration Services.	The exact revenue benefit is likely to become clear later in 2024. The Government expects to maintain a 5:1 cost/benefit ratio on the recovery of GST at the margin of the De Minimis level.
13	Evidence gathered by the Panel would suggest that other countries provide various GST exemptions for imported	The Panel’s research appears to encompass <u>structural reliefs</u> (such as exemptions and zero-ratings) applying to <u>all goods</u> (domestically

	Findings	Comments
	goods which were not considered as part of the Revenue Jersey review.	<p>produced, domestically retailed and imported) or eligible persons and those (essentially) <u>customs reliefs</u> or value-for-money <u>administrative easements</u> which are exclusively provided for importations. This kind of analysis fell outside the Terms of Reference for this Review.</p> <p>The Government has no plans to deviate from the “low, broad and simple” principle for GST. If the GST de Minimis level is eventually removed then the States Assembly would wish to consider the introduction of a modest “gift relief” for occasional gifts sent to islanders from friends and relatives overseas.</p>
14	Evidence would suggest to the Panel that VAT is not being removed from items sold by various offshore retailers	<p>Very little evidence has been presented to Revenue Jersey of this nature in recent years but the Minister would be happy to review any evidence which the Panel can share.</p> <p>9 out of 10 of the largest offshore retailers do not charge UK VAT: the one that does will refund it on request. Very limited evidence of overt charging of UK VAT has been presented to Revenue Jersey. Where it has occurred and individuals and businesses have been unsuccessful in securing VAT zero-rating on UK exports, Revenue Jersey has been prepared where appropriate to provide letters of support.</p> <p>Revenue Jersey most recently asked leading UK representative bodies to remind their members of Jersey’s tax status in December 2021. The Government has limited scope to influence smaller offshore retailers in this regard but the legislative changes now enacted in the Finance (Budget 2022) Law will further discourage such a practice.</p>

RECOMMENDATIONS

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
1	The Minister for Treasury and Resources must immediately release the detail of Revenue Jersey's communications with offshore retailers to scrutiny to provide transparency in decision making.	MT R	Reject	<p>Both the Minister and the Comptroller of Revenue have explained to the Panel the constraints on sharing communications which were conducted under terms of commercial and/or taxpayer confidentiality or of exposing in detail the data which the Comptroller and the Agent of the Impots hold by virtue of their offices.</p> <p>Written correspondence has tended to focus on matters peculiar to the business corresponding with the Comptroller or the Agent.</p> <p>The Minister notes that the Panel proposes to keep various items of correspondence "confidential to the Panel" and should therefore readily understand that Jersey's statutory officers (the Comptroller of Revenue and the Agent of the Impots) who have led this project work have sworn Oaths of Office which do require them to observe taxpayer confidentiality where it is appropriate to do so.</p> <p>The Minister has previously offered the Panel the assistance of the Comptroller in reaching out to some of the (particularly offshore) stakeholders who have been consulted. This offer remains open but it is more likely now that any strong objections to the proposed changes would be aired in public following the passage of the draft Finance (2022 Budget) Law.</p>	N/A
2	The Minister for Treasury and Resources should commit to lowering the GST de minimis to zero and provide a roadmap to outline Revenue Jersey and affiliated	MT R	Partially accept	<p>The Minister in her Budget speech reiterated her personal commitment to working to eliminate the De Minimis level.</p> <p>The Minister does not consider it appropriate at this stage in the life of the</p>	31/7/2025

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	organisation's (including Jersey Post and the Jersey Customs and Immigration Service) work programme to deliver this reduction.			<p>Assembly to set out a detailed roadmap to deliver that. Further work on the GST De Minimis level is not proposed in the draft Government Plan. Officers will review the position in the light of experience of the new registration regime and the reduced De Minimis level after more data becomes available in 2024. It may be possible for the next Government to make further proposals in the draft Government Plan for 2025.</p> <p>The Minister would flag that – were the De Minimis level to be removed – the Assembly would probably wish to consider introducing a form of lower-value relief for occasional gifts from family and friends overseas and that arrangements would also need to be put in place for very low-value items which have nominal but essentially no intrinsic value (for example, sales catalogues).</p>	
3	The Minister for Treasury and Resources must ensure that relevant data sets and calculations used to substantiate and justify a reduction to both a £60 GST de minimis and a £0 de minimis are provided to the States Assembly and stakeholders to inform decision making in advance of the Government Plan debate.	MT R	Reject	<p>The Agent of the Impots has already shared currently-available data with the Panel in a private briefing which leads him to recommend the £60 level. His Oath of Office limits the scope to share widely. The Panel is free to share their findings based on the aggregated data they have seen.</p> <p>The De Minimis level is an administrative matter – based purely upon value-for-money considerations – taken by statutory officers: it is not a political decision per se as it is not a tax allowance (and would probably be illegally discriminatory if it were).</p> <p>Historically, the Treasury Minister informs the States Assembly of the current assessment by her statutory officers of where the De Minimis level</p>	

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				can be set and seeks the Assembly's general approval for that.	
4	The Minister for Treasury and Resources must clarify to the Assembly the reporting framework for GST importation to ensure it can assist Ministers and Officers to developing long term policies in a wider context in advance of the Government Plan debate.	MT R	Reject	The data that is available regarding unaccompanied personal importations only exists for consignments having an aggregate value above the existing De Minimis level. As the De Minimis level reduces, more data will become available (from 2024 onwards). The increased manifesting of goods will also improve this situation.	
5	The Minister for Treasury and Resources should publish a report outlining the expected income to be gained for the Island from GST receipts before and after the application of changes to the GST de minimis, whilst outlining a longer-term plan for prospective collection of GST on all imports and the level of investment required to accommodate this change, in order to help shape debates on the future of the GST de minimis.	MT R	Partially accept	The estimated additional revenue from this measure is published in the draft Government Plan (Table 22, Page 141). Actual receipts could be reported in 2024. In the event that Ministers embark on a further review with a view to eliminating the De Minimis level, costing and planning will be undertaken at the appropriate stage of the project's life.	31/5/2024
6	Subject to the GST proposal being agreed in the Government Plan 2022-2025, the Minister for Treasury and Resources must ensure that an impact assessment to consider the consequences of a	MT R	Reject	The Minister will discuss the Panel's view with the responsible Minister – the Social Security Minister. It would not be appropriate for the Minister to undertake an impact assessment of the type requested. The Minister recognises that the original GST Bonus (the predecessor benefit to	

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	reduction in de minimis for low-income families is prepared in 2022 and that consideration is also given to making adjustments to the Community Cost Bonus in the Government Plan 2023-2026.			<p>the Community Cost Bonus) has assumed that the basket of food and goods bought by lower-income households is all bought in Jersey at GST-inclusive prices.</p> <p>The Minister is not immediately persuaded that further enhancement of the Community Cost Bonus is warranted.</p>	
7	The Minister for Treasury and Resources must ensure that support and written guidance is available for any islander that requests it to help them fully understand GST Personal Importation, and the Minister must communicate to islanders in 2022 the changes to GST Personal Importation will not have a negative impact on the Island's supply chains, whilst providing a clear and transparent understanding to Islanders how goods arriving in Jersey are valued and charged GST.	MT R	Partially accept	<p>The Government will, of course, provide appropriate levels of help and guidance to islanders (private individuals and businesses – offshore and onshore) to support this legislative change.</p> <p>While work done to date indicates that offshore retailers are preparing to comply with Jersey's GST registration requirements, it is not possible fully to anticipate the responses of all larger offshore businesses to the obligation to charge GST at the point of sale.</p> <p>The fall-back position, of course, is that the existing facility will remain for islanders to pay Import GST themselves when goods arrive in the Island.</p> <p>Early confirmation of legislation, implementing changes from 2024, has given offshore retailers the certainty to plan for the changes. It will also help identify any problem areas which may need addressing.</p> <p>Jersey Customs does already publish information about how goods are valued for Customs purposes.</p>	31/10/2022
8	The Minister for Treasury and Resources must consider as a matter of	MT R	Partially accept	Existing contract commitments already provide stability for service provision. Additionally, a longer-term review is being conducted to determine whether	No sooner than 31/7/2023

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	urgency the need for a new, bespoke customs and freight management system, including the customer portal, to fully coordinate and update all aspects of the Customs and Excise system, and report back to the Assembly by the end of April 2022.			<p>the existing system is best value in terms of cost and functionality. The review may lead to a draft Business Case for new systems which, if supported, would be presented to the Assembly in a future draft Government Plan.</p> <p>It should be noted that the system does not just administer the collection of import GST. It also collects excise duties, third country duties and Vehicle Emissions Duty. It also imposes controls on the movement of goods per Jersey's obligations under the UK-Jersey Customs Arrangement and polices the application of the Island's international responsibilities such as the transfer of strategic goods.</p> <p>A complete replacement of the current online goods clearance system would be a very significant and costly undertaking and so would need addressing in a future Government plan.</p>	
9	The Minister for Treasury and Resources must monitor the impact on customer choice, revenue, stakeholders, and to the Government's workforce, of the Royal Mail manifesting goods on a quarterly basis in 2022 and 2023 through a series of quarterly progress reports to be provided to the Corporate Services Scrutiny Panel regarding customer choice, to provide reassurance to the Assembly that sufficient funding has been allocated in the proposed	MT R	Reject	<p>The manifesting of more imported goods is a matter for the postal authorities of the UK and Jersey – not Government per se.</p> <p>Jersey Customs will benefit from improved manifesting and Treasury officers will be kept abreast of its development.</p> <p>The Minister is content to take questions at her quarterly public hearings but stresses that consumer affairs do not sit within her portfolio.</p> <p>The Government expects that the Jersey Consumer Council will continue to monitor issues of consumer choice and any inappropriate charging of UK VAT</p>	

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	Government Plan 2022-25 to account for this change prior to the debate.			and can report on such matters in the public domain.	
10	Revenue Jersey and Jersey Customs and Immigration Services should develop terms of reference for a working group with the logistics industry to ensure: <ul style="list-style-type: none"> • all questions are addressed, and processes agreed especially in relation to valuation and returns; and • stakeholder capabilities match demand. 	MT R	Accept	Jersey Customs will establish the necessary lines of communication and, where appropriate, working groups to manage implementation of changes affecting local logistics businesses.	28/2/2022
11	The Minister for Treasury and Resources should review the provision of GST exemptions for imported goods and consider any exemptions required due to limitations on customer choice or health grounds.	MT R	Reject	<p>Apart from the De Minimis level – which is an administrative easement given on Value-for-Money grounds - GST reliefs based on considerations of consumer choice; health etc could not be limited to business-to-customer imported goods without being potentially unlawfully discriminatory.</p> <p>The Government remains committed to GST remaining at a low rate (5%); broadly applied (with minimal reliefs); and simple (to administer – both for businesses and Government).</p>	
12	The Minister for Treasury and Resources should immediately evidence the work which the Revenue Jersey report suggests it has completed in recent years to discourage the removal of VAT and	MT R	Reject	Report R51/2018 and subsequent responses to Questions in the Assembly are on the public record and do set out much of the work done. The Comptroller is unable to share correspondence addressed to individual businesses, for example, identified by the Jersey Consumer Council as	

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	consider if any other actions could be taken to coincide with changes to the registration process for offshore retailer			<p>charging UK VAT for reasons of tax confidentiality.</p> <p>The report of the GST review identifies that - of the “top ten” offshore retailers by volume - only one of them does charge VAT and it does refund it on request. Three of the top ten do already charge GST and remit it to the Jersey Exchequer.</p> <p>The Report also suggests that the imposition of GST obligations on larger offshore retailers will deter the charging of UK VAT where this still occurs.</p> <p>It remains the strong view of the Minister that consumers really should not buy goods from businesses in the UK that wrongly charge VAT.</p>	

CONCLUSION

The Minister welcomes the Panel’s report and is grateful for their support for the eventual elimination of the De Minimis level.

While the Minister firmly supports the eventual abolition of the De Minimis level, she does consider it prudent to see how the reduced £60 level operates during 2023 alongside the GST registration of larger offshore retailers so that they can charge jersey GST at the point of sale. While it is important to ensure GST operates even-handedly and does not discriminate in favour of personal importations unnecessarily, it is also important to maintain the flow of postal packets through the Postal and Customs systems.

However, with the clear support of the Panel for the abolition of the De Minimis level, the Minister has asked Revenue Jersey and Jersey Customs to review the assumption – previously discussed in the report of the Review and the Government Plan 2022-25 – that it may be necessary to allow large offshore retailers access to the De Minimis level even after they have registered for GST. It may be possible to oblige all registered offshore retailers to charge GST on all sales of goods into Jersey, further levelling the playing field for our domestic retailers and reducing the usage of the De Minimis level.

