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Senator Steve Pallet
Lead Member on this Review
Corporate Services Scrutiny Panel
By email

03 March 2022

Dear Senator Pallett,

**Corporate Services Scrutiny Sub Panel Goods and Services Tax - Personal Importation
Review : Phase 1 follow up**

Thank you for your letter of 22 February 2022. Please find my responses to your follow-up questions below. As a general observation, some of the questions posed here do seem to have been addressed previously and it may be more helpful, if you do have outstanding concerns or unanswered points, to hold a further confidential briefing with the relevant officers.

In your response to recommendation 3 it is indicated that the reduction of GST De minimis was not a political decision. The Sub Panel wishes to enquire how you have drawn this conclusion when the introduction, increasing or lowering of tax is a politically agreed decision?

New forms of taxation, tax rates and tax allowances are matters for the States Assembly. The GST de Minimis level is not a tax rate nor is it a tax allowance.

As previously explained, a tax allowance provided solely for personal importations of unaccompanied goods (whether or not provided to help lower-income consumers on top of the other allowances already provided) would be highly likely to be unlawfully discriminatory in respect of international trade/tax law and our obligations within the new Customs Union with the UK and the other Crown Dependencies.

What has always been permissible is an “administrative easement” provided by the two responsible statutory officers (the Agent of the Impots and the Comptroller of Revenue) on grounds of “ease of administration” and “value for money”. It is ultimately for them to defend the De Minimis they determine is appropriate – based on their administrative assessment of the relevant factors - if it were challenged (for example by an overseas business; jurisdiction; or local retailer).

As I have explained previously, it is normal practice for the Agent and the Comptroller to discuss their judgment with the Treasury & Resources Minister; and for the Minister to inform the Assembly. The De Minimis level is changed by a Direction of the Comptroller of Revenue using the various powers given to him under the GST Law.

You highlight in response to recommendation 6 that you would discuss undertaking an impact assessment to consider the effect of reducing GST De minimis on low-income Islanders with the Minister for Social Security. Can you confirm if this work has been carried out and a timescale for when results of assessment can be expected? This is of particular concern to the Sub Panel given inflation and the levers which Government could utilise to support low-income Islanders.

My response to recommendation 6 was that I would discuss the views of the Panel with the Social Security Minister and I can confirm that an informal discussion has taken place.

I reiterate, for the reasons set out above and as the Comptroller further explained to you at the Public Hearing – that it would be wholly inappropriate for the Agent of the Impots and the Comptroller of Revenue to have regard to such matters in determining the GST De Minimis level as this would confer upon it (incorrectly) the character of a tax allowance which would, in all probability, be unlawfully discriminatory.

You indicate in your response to recommendation 8 that a business case may be produced following the review of the service provision of the existing customs and freight management system. Can you please specify a timescale for this and forward any draft business case to the Sub Panel?

My response in S.R. 15/2021 Res says that “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.”

I understand that the Agent of the Impots has work under way which may ultimately lead to a Business Case being presented in time for consideration in a future draft Government Plan.

The current support contract extends to 2026. It should be noted that the CAESAR system covers a wide range of border requirements and does not just account for Import GST.

You outline in response to recommendation 10 that appropriate working groups would be established to manage implementation of changes impacting local logistics businesses, can you please confirm that this has taken place and what work they have undertaken so far?

The Agent has already established a working group, principally for local logistics providers. Its terms of reference will allow consideration of the operational impact of the reduced de-minimis and will seek to put measures in place to mitigate:

- the impact of storing detained consignments above the de-minimis threshold
- the administration of returned goods
- failure to identify GST pre-paid consignments
- customer impact
- raising customer awareness

I understand that the first meeting of the Group is likely to be held in March.

Can detail be provided to the Sub Panel on the work undertaken to encourage the removal of VAT at source since 2018?

I can only speak for Revenue Jersey – not Jersey Consumer Council nor others who may undertake such work. I should also reiterate that there is very little evidence of overseas businesses charging their local taxes to Jersey consumers in respect of personal importations.

The Panel may wish to refer to WQ.338/2021; and OQ.14/2021 and OQ.124/2021. Additionally, Revenue Jersey has occasionally assisted individuals and businesses when appropriate in explaining to overseas suppliers that Jersey is outside the scope of UK VAT.

Most recently, in December 2021, the Comptroller of Revenue wrote to the Confederation of British Industry and the British Retail Consortium which, among other things, reminded them of Jersey's fiscal independence and asked them to remind their memberships that UK VAT ought not to be charged in regards of goods dispatched to Jersey.

Could you please confirm the number of additional staff that have been, or will be, needed to resource the reduction of GST De minimis to £60?

This is set out in the Government Plan 2022-2025 and is summarised in Finding 11 of your Report S.R.15/2021. I believe that you will also have had access to the business case.

The funding includes provision to improve CAESAR, warehouse costs and staff to be recruited with a start date of 1st Oct 2022 to enable training and readiness for the 1 January 2023 commencement date.

I am content for the Agent of the Imports to meet with you to discuss this in more detail if you would find that helpful.

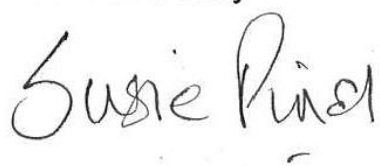
The Sub Panel further notes that in response to recommendation 1 of its report you indicate that you are unable to provide information gained during your consultation with organisations as it is confidential in nature. The Sub Panel believes that unless this information includes data on tax liability or tax paid, it should be forwarded and is happy to receive it on a confidential basis if necessary.

The Comptroller has confirmed that all salient information arising from the 2021 Review is presented in the Report which I published on 21 September 2021. Little general correspondence exists with stakeholders as most discussions took place either physically or by Teams.

My offer for the Agent and the Comptroller to brief you confidentially on the nature of their discussions with key stakeholders remains open and they may be able to assist you in approaching external stakeholders direct, if you wish to do so. I hope that, in a confidential meeting face-to-face, they will be able to address any particular outstanding questions you have while navigating the constraints of their oaths of office.

I should be obliged if you would propose a date to meet direct to them.

Yours sincerely

A handwritten signature in black ink that reads "Susie Pinel". The signature is written in a cursive style with a large initial 'S' and a distinct 'P'.

Deputy Susie Pinel
Minister for Treasury and Resources

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