

Association of Jersey Charities Founded 1971

Patron: Lieutenant-Governor of Jersey

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21 JUL 2006	
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17 July 2006

Dear Deputy Ryan

Corporate Services Scrutiny Panel Review of draft GST law

You have asked for submissions from charities for the purpose of commenting on the draft GST law and I am therefore writing to you in my capacity as the newly appointed Chairman of this Association.

By way of background it may help to explain that the Association represents two hundred and fourteen charities in the Island with the purpose of promoting and encouraging charitable and community work. Its other main function is to distribute the Jersey share of the Channel Islands lottery to its members. It is not a public body and has no means of regulating its members or imposing a system of registration of charities.

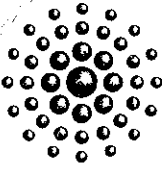
We are strongly in favour of charities in the Island being given a blanket exemption from the GST system. This would have the merit of simplicity and avoid the complexities that are evident in UK legislation as it relates to VAT on charities.

The voluntary sector provides a much needed and valuable contribution to the social services in the Island at a cost to the public purse that is acknowledged to be far lower than would otherwise be provided by the States. Anything that can be done to encourage their activities and alleviate the burden of GST must be in the interests of all concerned.

This treatment would also ease the administrative burden on those running smaller charities who in the main are unpaid volunteers often with little business experience.

We welcome the proposal to set the registration threshold at £300,000 so long as this level is reviewed on a regular basis.

As the consultation document and the explanation and summary of the draft law contain a reference to some form of relief from all or part of the tax, in addition to zero rating and exemption, being considered for charities and some non-government organisations, it had been assumed by many charities that the need to lobby for this obvious benefit was unnecessary.



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I am unable to give you any indication as to the likely impact of a GST on our members. We are not privy to the necessary information about their activities nor is it yet sufficiently clear to many members what effect the tax will have on their organisations. We have therefore encouraged them to make their own representations direct to your panel.

The effect of the tax on this Association is minimal, as little as a few hundred pounds at most, on the understanding that the receipt of lottery funds and the giving of grants to members do not constitute a taxable charge. The issue of proof of charitable status is one that will need to be addressed because of the lack of a definition of a charity or charitable purpose in Jersey. There is of course no register of charities as in the UK nor a local Charities Commission. The only legal recognition of charities is for incorporated associations under the Fideicomis Law otherwise there are only unincorporated associations and charitable trusts.

Recognition of charitable status is currently given by the Income Tax Office through a Certificate of Exemption from income tax under Article 60 of the Income Tax (Jersey) Law 1961 and we would recommend that the same criterion should apply to GST. It is noted that in the UK the Inland Revenue has the power to determine the status of a charity if it is not registered with the Charities Commission. Consideration may have to be given to the position of non-profit making organisations which at present are also given income tax exemption by the Income Tax Office.

For your information I shall be submitting similar comments to these to the Treasury Minister before the consultation deadline at the end of August to reinforce our views on these points.

Yours sincerely

B J Pierce
Chairman

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