



JERSEY MOTOR TRADES FEDERATION

The Voice of the Motor Trade in Jersey

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Dear Sirs,

GOODS & SERVICES TAX (JERSEY) LAW 200- CONSULTATION

We have now had the opportunity to study the draft Goods and Services Tax (Jersey) Law 200- in detail and we are seeking confirmation that, although second-hand goods are referred to in the draft Law in Article 51 (Relief on supply of certain second-hand goods) this only refers to goods whose previous supply was not chargeable to GST. There is no specific mention, for instance, of how GST will be levied on the sale of used vehicles.

We have met on a number of occasions with the Crown Agents' representatives and have urged the adoption of a 'margin' scheme as applied to Value Added Tax in the United Kingdom. We have been advised that the manner in which a 'margin' scheme, whereby sales of pre-owned vehicles would attract GST only on the margin of profit applied by the vendor, will be operated and would be dealt with by Regulation and we would be grateful for confirmation that this will be so.

We would also seek confirmation on how demonstration vehicles, loan vehicles and vehicles offered for rental should be treated; on whether or not warranties carried out locally but paid for by off-island manufacturers will be liable to GST and whether or not GST is likely to be reclaimable on commercials and other vehicles used for business purposes (as is the case in the United Kingdom)

continued.../

We consider that the volume of used car sales justifies the operation of a margin scheme, this market accounting for approximately 12,000 to 12,500 vehicle sales per annum.

We recognise that, as a general rule, imported pre-registered vehicles would be treated in the same way as new vehicles, i.e. liable to GST but we would propose that the GST liability be deferred on any new or pre-registered vehicle until the vehicle is registered with the DVSD, it being common practice in the trade to hold vehicles in stock for some time unregistered and unregistered vehicles are frequently returned to the manufacturer when obtained on a sale or return basis; this notwithstanding the GST is recoverable as a business expense where applicable but, in the case of motor vehicles, incurring a substantial cash-flow penalty.

We would ask for further clarification with regard to vehicle warranties. Where an MBI (Mechanical Breakdown Insurance) is applied to a vehicle and is provided separately by an insurer to the customer, we understand that this will not attract GST. However where the cost is included in the purchase price and not so identified then it presumably this would attract GST. We would be grateful for confirmation that this is so.

We would be obliged if it could be confirmed that our reading of the proposed legislation is correct and if this is not the case we would also be obliged to be informed so that we may make an appropriate submission to the GST Consultation Group before the deadline of 20 June.

Yours faithfully,

Peter Tabb MCIPR MIMI.
Public Affairs – JMTF

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THE INSTITUTE OF THE MOTOR INDUSTRY