

STATES OF JERSEY
Corporate Services Panel
THURSDAY, 3rd AUGUST 2006

Panel

Deputy P.J.D. Ryan (Chairman)
Connétable D.J. Murphy of Grouville
Connétable J.L.S. Gallichan of Trinity
M. Haden (Scrutiny Officer)
Richard Teather

Witnesses

Mr. R. Shead (Jersey Chamber of Commerce)
Mr. A. Goodyear (Jersey Chamber of Commerce)

Deputy P.J.D. Ryan of St. Helier:

Good morning, everybody. Welcome to the Corporate Affairs Scrutiny Panel, and as you probably know, the reason for us being here is that we are reviewing the Goods and Services proposals in various forms. Our terms of reference are fairly wide-ranging, so it means that we can virtually go into anything to do with GST (Goods and Services Tax) that we want. Before we start, though, there is a little formality. It is a little bit of a formal notice I need to read to you, and so it is important that you fully understand the conditions under which you are appearing at this hearing. You will find a printed a copy of the statement I am about to read you in the table in front of you: "The panel's proceedings are covered by parliamentary privilege through Article 34 of the States of Jersey Law 2005, although a present, this privilege only extends to Members of the States. As a result, you are protected from being sued or prosecuted for anything said during this hearing, although this privilege should obviously not be abused. The proceedings are being recorded, and transcriptions will be made available on the scrutiny website." Having got the formalities out of the way, we can relax a bit. I would like to kick off with really a very general question on the administrative costs. Do you have any estimates yet of what you think it will cost the businesses to run GST?

Mr. R. Shead (Jersey Chamber of Commerce):

No, we do not at the moment, and one of the main reasons why it is very difficult to predict is that the decision has not been made as to whether the GST will be inclusive pricing, as like Value Added Tax would be included in the United Kingdom, or an American style, where the actual tax would be shown at the bottom of the till, and obviously that affects the cost, so at the moment, it is really rather difficult to put a figure on that.

Deputy P.J.D. Ryan:

To help our understanding, where do you think it is more costly, which set; which version?

Mr. R. Shead:

Inclusive pricing.

Deputy P.J.D. Ryan:

Inclusive pricing is more costly?

Mr. R. Shead:

We think so, yes. That is right.

Deputy P.J.D. Ryan:

Is that general, across all types of business, because obviously you represent all sorts of businesses?

Mr. R. Shead:

Yes, I think so, yes, it is, because most of the supplies come from the UK. There are a number of product groups GST will apply to that do not apply in the UK - books, newspapers, food, that sort of thing - so therefore there are a number of issues on how that will work with modern technology, bar-coding. A lot of people in the food industry buy ready-priced food, in other words, you know, "Chicken £4.99" or something like this. You have barcodes where you have the price impregnated in the bar code, and it starts to get rather complicated when you try to have a shelf edge that gives the price of something; it is a bit like the Marks & Spencer syndrome where, in the UK, the price would be £4.99, say, for the chicken, but then you have got to add another 3 per cent on somewhere along the line, and that means people adjusting their price file and computer systems and this sort of thing.

Deputy P.J.D. Ryan:

There are a couple of little further questions, sort of supplementaries on that, which I would like to just further explore this one, if you would not mind. The first one is, talking about shelf edge pricing now, inclusive, once it is set up, once your computer systems are set up with your product lines, do you feel that those kind of extra administrative burdens for that system would diminish over time? I suppose that goes for all of your administrative costs.

Mr. R. Shead:

Yes. There would be, I guess, a one-off sort of hit for software charges and this sort of thing at the commencement - say, January 2008 - but after that, obviously there would be ongoing costs, but it would not be too severe after that. I think quite a large cost will be because a lot of people are doing business in both Islands, and obviously GST does not apply in Guernsey - as it will not do - so therefore,

immediately, you are going to have to have 2 separate lots of price files, which has other implications for advertising, so you cannot go on channel television and say, "This is the price here, but hang on, we have got a different price in Guernsey" the same, that sort of thing, if you see what I am getting at.

Deputy P.J.D. Ryan:

Yes, I understand. Do you charge the same for an item in Guernsey as Jersey; generally, most retailers?

Mr. A. Goodyear (Jersey Chamber of Commerce):

Most? Some, yes. I think it will depend on retailers, but I understand the Co-op do have a common price file or whatever.

Mr. R. Shead:

Yes, and lots of businesses do, with the exception of alcohol and tobacco, because the rate of duty is significantly different.

Deputy P.J.D. Ryan:

Yes, when I had 2 businesses, one in Guernsey and one in Jersey, I had to have 2 different price files for various different reasons. Yes, so a lot of businesses run one price file, and this would mean that you would need to run 2.

Mr. R. Shead:

As a supplier - wearing my other hat, as an importer - my price for my clients in the supermarkets and the wholesalers is the same price delivered both Islands.

Deputy P.J.D. Ryan:

Is it?

Mr. R. Shead:

But obviously with alcohol, exclusive of duty, and then you get different rates that you can apply.

Deputy P.J.D. Ryan:

One of the other supplementaries on this, where you have the GST added at the till, where you have something like a 3 per cent GST rate, it may not be a problem - but it is a question sort of termed as a statement, so comment on it by all means - once you get above 3 or 4 or 5 per cent, it starts to become an increasing problem. Would you agree with that? Once you start adding 10 per cent, say. You know, there are no projections that GST will be 10 per cent, do not get me wrong, but is it because the 3 per cent is a fairly low number that it makes adding on at the till feasible?

Mr. R. Shead:

I do not think so, no. I do not think it is a question of the amount of tax, it is the question of the way the tax is applied, let us put it like that.

Deputy P.J.D. Ryan:

Yes. What is going through my mind is whether you have got suddenly large amounts being added on at the till, you are then going to get an increasing administrative problem where people say, "Sorry, I cannot afford it. I do not want it anymore" so you have got to then put it back on the shelves and all of that kind of thing; the customer angle.

Mr. R. Shead:

A consumer response?

Deputy P.J.D. Ryan:

Yes, the customer angle as well I am talking about.

Mr. R. Shead:

Yes. That would be a bit more difficult, yes, because it is always difficult to gauge consumers' reaction to that.

Mr. A. Goodyear:

But we have said in our response that we can see there are problems with both ways of doing it. On balance, from a Chamber perspective, we would support putting it on at the till, but acknowledging that there are issues with both ways of doing it.

Connétable D.J. Murphy of Grouville:

Chairman, can I just ask a question here? I had picked up on this when I was reading through your response. It seems to me that, on balance, you have said the inclusive is the way to go, but you do not seem to be terribly strongly in favour of it. If I might just say, from your responses this morning, you were saying that obviously there is a big cost saving, having an inclusive situation rather than exclusive.

Mr. R. Shead:

No, sorry, the other way round.

Deputy P.J.D. Ryan:

The other way round.

The Connétable of Grouville:

Sorry, the other way round, beg your pardon; exclusive, an add-on at the end, yes. You seem to be semi-reticent about it. If we were to put it in our report, would you advise us to put in our report that the

Chamber of Commerce are strongly in favour of the American-type sales case or not?

Mr. R. Shead:

We are. The balance of view among the retail committee that I represent is that that is the simplest way, the least administrative way and the least cost way of doing it, is adding 3 per cent at the bottom of the till, the till receipt, so long as it is clearly made by point of sale and instore signage and this sort of thing that there is a 3 per cent tax added to everything. We consider that to be less inflationary than having to add 3 per cent to every product. For example, the *Jersey Evening Post* is currently 40 pence. If it was going to go up 3 per cent, it would be - I think I have got this - 41.2 pence, but no one is going to do it at that price, so therefore it might be 42 pence, and it would be incremental, because you have got price points in all sorts of retail activities.

The Connétable of Grouville:

Yes, but that would happen if you had an inclusive situation as well, if you had your *Jersey Evening Post* coming at 40 pence plus 3 per cent, it still takes it up to 41.2 pence, whether it is inclusive or exclusive.

Mr. R. Shead:

But it would show the actual amount of the tax, but in our opinion - and I think we agree with this, do we not, Andrew? - it would be less inflationary to have the US style tax rather than having an inclusive price which is added on, and then it becomes a sort of compound effect of the total tax.

The Connétable of Grouville:

That is fine. I just wondered if perhaps you were being reticent for a reason, in not plumping completely for the inclusive.

Mr. R. Shead:

I can see - as a consumer myself - it is much easier to go up to the shelf edge and say, "That is the price" and not think, "Oh God." When we have been on holiday in the States, you think, "Oh, that looks quite good. Oh, hang on a minute. There is 8 per cent tax you have got to add on the bottom" and this sort of thing, you know?

The Connétable of Grouville:

But surely, when you put a price up on the shelf price, you would put, "£5.00 plus 3 per cent GST"?

Mr. R. Shead:

We have not got into that much detail, I have to say that. Because these shelf edge tickets are computerised and really small, I am not sure you would have much room, apart from a very brief description of the product and a price and a barcode. It is a possibility, yes. It is not something that has

come up in any of our discussions with the retailers.

The Connétable of Grouville:

I am not trying to slant you in any way.

Mr. R. Shead:

No, I understand, yes.

The Connétable of Grouville:

I am just saying that these are things that we have to obviously make a report on, so we like to know that there is a definitive route you prefer to go rather than give us the choice.

Mr. R. Shead:

You see, we also understand Jersey's consumer legislation mirrors the UK legislation, and the UK legislation or the UK price comparison guidelines, in effect, are talking about all-inclusive, tax-inclusive prices, so therefore --

Deputy P.J.D. Ryan:

When it comes to retailing?

Mr. R. Shead:

When it comes to anything, any form of retailing, whatever it might be, food, general retailing of any sort, the UK price comparison guidelines --

Deputy P.J.D. Ryan:

Any price lists you print.

Mr. R. Shead:

-- is inclusive of VAT, yes.

The Connétable of Grouville:

Restaurants, everything like that, yes.

Deputy P.J.D. Ryan:

Any point of sale, advertising is always inclusive.

Mr. R. Shead:

Always, yes. This is a slight sort of -- not a problem, because we do not have the same sort of detailed consumer legislation as they have in the UK, so it has been Jersey practice with trading standards to

mirror UK pricing on it, so that is the sort of dilemma that we are sitting in at the moment, and awaiting a decision on which way it will go, because only then will we know how to do it, and then to set up the necessary computer systems and till receipts and all this sort of thing for its implementation.

Deputy P.J.D. Ryan:

It has been said by other sort of consumer-based organisations that if you add GST at the till separately, it makes it easier for the retailer to pass on any GST charge to the consumer, and you lose - to some degree - what is generally perceived as an advantage, from a consumer's point of view, that some businesses might absorb some of the GST. I suppose what we are talking about here is the extent to which any particular retailer has market power. You mentioned that in the case of a *Jersey Evening Post*, where you get a 3 per cent add-on, it comes halfway through a penny. You will automatically go up, I suppose, but would you agree with the statement that has been made by others that that would depend on how much market power you had in a particular market? If there were 2 *Jersey Evening Post* sellers, one might go down and one might go up. What is your comment on that?

Mr. R. Shead:

Our feeling from all our members in everything that has been discussed is that there is no way that most retailers will absorb the 3 per cent GST, because in many cases, 3 per cent is your gross margin anyway, so people are not going to give away their margins. The view is that people just cannot afford to do it. The tax will be passed on to the consumer.

Mr. A. Goodyear:

So the consumer should expect to pay the 3 per cent extra on everything.

Deputy P.J.D. Ryan:

But would you agree with the statement that is made by consumer bodies and other politicians that that would make it easier for you to pass on; by pricing at the till rather than at point of sale, there is a much greater likelihood that you would keep your pricing structures exactly the same? There is no potential for absorption.

Mr. A. Goodyear:

But you see, that should be the case, as it is a tax being collected by retailers for Government --

Deputy P.J.D. Ryan:

For consumers.

Mr. A. Goodyear:

-- so they should be collecting that tax, and it should be quite separate to what they price their goods at, because they are collecting 3 per cent on everything on behalf of Government.

Deputy P.J.D. Ryan:

So you are saying that passing it on in full is the right thing to happen?

Mr. R. Shead:

I would say it is the only way.

The Connétable of Grouville:

I think they have made that clear in their submission as well.

Mr. R. Shead:

I think that there is no way that people are going to be able to absorb --

Deputy P.J.D. Ryan:

Here is a question, and I suppose it is a little bit of a hypothetical one, because it is, "Who knows until the time comes?" but again, it has been said by some that if you have 2 retailers selling the same kinds of goods - shall we take, for example, food retailing - if it is made that you can do it either way, and there is no ruling on it, you can price inclusive or you can price and add on at the till; so it is either/or, you decide as a retailer. If one decides to break ranks, shall we say, and price inclusive, that will in fact mean that all retailers will - after a fairly short period of time, anyway - have to price inclusive, because the consumers will drive it that way.

Mr. R. Shead:

That is commercial pressure from the market, and the market deciding.

Deputy P.J.D. Ryan:

Yes, commercial pressures, and the market deciding.

Mr. R. Shead:

In effect, yes. It is really how people perceive the way that they should do their marketing, the way that they should perhaps do their price cutting and this sort of thing, so it is very difficult to get involved in the detail of why one particular company would decide to price a product at a particular price. It may be when they are doing a promotion of some sort, you know? In the food business, you have various price promotions, BOGOFs, buy one, get one free, this sort of thing. That might be part of a strategy, but the general feedback we have had is that whatever the price promotion might be, the tax will be added still as an item at the bottom of the till, and we have been told - not just in the food business - if it was even an inclusive price, down at the bottom of the till roll, it would still show the actual amount of the 3 per cent tax that has been collected, even though it might be in inclusive pricing, if you see what I am getting at, because people should know why the price is at such a level.

Connétable J.L.S. Gallichan of Trinity:

You get that in France now, do you not, when you go to a restaurant, and you get your account at the end of your meal, in that is 4.6 euros Tax Sur Valeur.

Mr. R. Shead:

Yes, the TVA. Yes, that is right.

The Connétable of Trinity:

So it is all itemised for you. Now, if you go down that ride, it will be exactly the same here, I presume.

Mr. R. Shead:

That is exactly the way that we would want to work it, if it was inclusive pricing, yes. We would want to show the actual amount of the tax.

The Connétable of Grouville:

If you had a --

Mr. R. Shead:

Because also, some people can reclaim it. If you are GST registered and you have got expenses or whatever you are buying, you are buying some furniture, buying paper for the office or something like that, you can offset that anyway, so therefore it will be necessary to know what the amount of the GST would be, because businesses who are registered for GST would be able to reclaim those as expenses in their input and output system.

Deputy P.J.D. Ryan:

How does that work in the UK then when a business wants GST or to reclaim VAT and it is an inclusive price?

Mr. R. Shead:

Yes, but they issue the same as you were saying, they issue VAT receipts.

Deputy P.J.D. Ryan:

So they get away with it that way?

Mr. R. Shead:

Yes. I was in London the other week, stayed in the hotel, you have got the VAT when you get the invoice. You have got the amount, the actual amount of VAT --

Deputy P.J.D. Ryan:

Even though the price is shown --

Mr. R. Shead:

Even though the price is inclusive, you have got that, and in French hotels, you get the same, and you get what they call the tax to stay there as well. So you have everything broken down and itemised, apart from the cost of the room or the meal or the product even, and then you have got the amount of tax, whether that is the national tax, the VAT, the TVA in France, or the tourist tax, whatever they call it.

Deputy P.J.D. Ryan:

That might be a bigger business, but what happens to a business in the UK; that it is a retailer now, and typically, just a till receipt comes out at the end with VAT included, but no VAT showing?

Mr. R. Shead:

I am not an expert on this in the UK, but my understanding is that on bills - this is only from my personal experience - that whatever you buy, it clearly states what the VAT is on the bottom of it. I am right on that, Andrew?

Mr. A. Goodyear:

I would have thought so, but again, if you are talking about a very, very small retailer -- you know, they are just providing you with a very basic till receipt. It might not be a legal requirement.

Deputy P.J.D. Ryan:

There is something in my mind which says that it is a statutory duty that when asked for a VAT receipt, any business has to provide it, so if you are a business that is claiming it all back, then yes.

Mr. R. Shead:

Yes. I have glanced through this 30-page document on price comparison, but I think it very clearly states that irrespective of whatever the value might be, you still have to charge the VAT, assuming your business is registered for VAT in the first place. The thresholds are much lower in the UK, are they not, than we are proposing here?

Deputy P.J.D. Ryan:

That is the next question. Do you have any sort of feeling for how many of your members are below the £300,000 a year threshold and above? Do you represent many below?

Mr. R. Shead:

I would say quite a lot, yes. There are several thousand small one-man businesses like mine in the Island, who may well be below £300,000 turnover.

Deputy P.J.D. Ryan:

I find your answers a little bit surprising in some ways, because those will be below the GST threshold, and so their pricing structures and their point of sale material will not have any GST in it.

Mr. R. Shead:

Oh, yes. They have to charge GST.

Deputy P.J.D. Ryan:

No, these are the ones that are below --

Mr. R. Shead:

Yes, but below £300,000, my understanding is - have I got this right, Andrew? - that they still have to charge GST. They just cannot reclaim it.

Mr. A. Goodyear:

No, no, no.

Mr. R. Shead:

Have I got that wrong?

Mr. A. Goodyear:

My understanding is that, no, they will not have to charge GST. They will have to pay it on things that they buy.

Mr. R. Shead:

Oh, on the input.

Mr. A. Goodyear:

Because there are 2 issues. Firstly, they may or may not be showing VAT, because a business under £300,000 may very well decide to register anyway, because they might have a competitor who is GST registered, so in theory, their competitor is having to put on 3 per cent for GST, but they are buying the same goods from the same place, but they will not be able to reclaim the input on their outputs, so they decide, for business purposes, to register. But, yes, there will be a split.

Deputy P.J.D. Ryan:

Let us assume for a minute that it is a business which has largely labour costs, it is a labour-intensive business, employing local labour. It has very few good inputs; one with a turnover below £300,000 and one with one above. The one above will have to charge GST, the one below will not. I am just a little bit surprised that your smaller members, who are likely to be below the £300,000 and have already perhaps made the decision not to register, and do not want the administrative burden and all those types of things, I am surprised that they are in favour of adding price on at the till, because from their perspective, they will be showing a point of sale pricing structure, which is their final price, whereas what you are saying is you are in favour of the competitor that is just above the threshold competing with the one that is just below, and would be able to show a point of sale exactly the same as his competitor below, but then anything will be added on afterwards. Do you see the point I am making?

Mr. R. Shead:

We are talking about 2 different categories of business, you see. You are talking about retail and selling to the general public, and then in your comparison, you are talking about, say, an electrician or a plumber who is also maybe doing selling, but he is selling a service, which would, I think, not so be taxed differently, but the mindset would be different. The other thing is we do not know the details, and this is always the problem. The devil is in the detail. We do not have the details of how this is proposed to be applied.

Deputy P.J.D. Ryan:

I suppose what I am saying is you have got 2 plumbers, both advertising labour rates of £25 an hour.

Mr. R. Shead:

You would run foul of the Jersey Competition Regulatory Authority. You are not allowed to do that anymore.

Deputy P.J.D. Ryan:

Both advertising prices per hour?

Mr. R. Shead:

They can, yes.

Deputy P.J.D. Ryan:

Two different plumbers --

Mr. R. Shead:

Sorry, you are right. I am just making a point there, because the JCRA have - we understand in the construction business - said, "No, you cannot charge, as an industry, the same price."

Deputy P.J.D. Ryan:

No, I am not suggesting that. I am saying 2 plumbers, one is charging £25 an hour and one is charging £24 an hour, and they are advertising in the *Jersey Evening Post*, “I am charging £25 an hour” and then at the bottom in small print, “Plus VAT; plus GST”. The other one is below the threshold and is charging £26 labour rate. So you are saying that that would be okay? Do you see what I am --

Mr. R. Shead:

I understand what you are saying.

Deputy P.J.D. Ryan:

You understand where I am coming from?

Mr. R. Shead:

Yes, I see where you are coming from. I have to say, the question has not arisen.

Mr. A. Goodyear:

We have not come across this.

Mr. R. Shead:

We have not come across this as an issue yet, and this would only become an issue, I guess, when all the detail of how the tax is to be collected would come out, you see, because I do not think that many people have really got themselves into gear as to what all these means.

Mr. A. Goodyear:

Because the plumber at £25 an hour will have to buy his plumbing stuff plus GST and will not be able to get it back off the customer, but then there is a whole level competitiveness with a large plumber who can charge less per hour, because they have got scale economies and all sorts of things.

Deputy P.J.D. Ryan:

I would like to ask almost the reverse question. Do you think it is unfair on those of your members that are not going to be registered for GST - because they are below and have decided to be below the threshold - because they will have to pass on the price of any GST they pay out within their pricing structure, do you think it is unfair on them that their competitors over the threshold are allowed to advertise their price without GST included?

Mr. R. Shead:

Good point. I have not really got an answer for you on that, because again, as I said, it is not something that has come up, but then I guess the market would decide that. People, in many cases, in terms of inclusive pricing for tax, it would have to come back slightly to what I said earlier about it, they would

have to make their own commercial judgments as to what would be best for their own businesses.

Mr. A. Goodyear:

I am not aware of any actual full consultation on pricing anyway. I do not think it was included in the original GST consultation. It was included in our response, because we picked it up from Senator Ozouf, who mentioned it as a fait accompli, that he had already made a decision on it, so there is not public information about this issue. We included it within our response, because we had been thinking about it, but there has not been any real sort of - I do not know - organised thought, a presentation of this at the moment.

Deputy P.J.D. Ryan:

That is fine, thanks. I think we will leave that particular line. I think we have explored it pretty carefully. Thanks very much. Have you any feel for which of your members that are going to be registered - in other words, they are going to be above £300,000 - how many of them will be running computer programmes? Are there any issues with the kind of business maybe not having access to GST software, GST software? Is this going to be a problem?

Mr. R. Shead:

Well, from my own small business, we run on - oh, what is it? - my accounting system, it does have a box for VAT. I am certain that most people are running UK-based systems which are adapted for local conditions with a zero against the VAT. I am sure that you can change that to GST and put it in, so that --

Deputy P.J.D. Ryan:

Yes, turn a switch on.

Mr. R. Shead:

-- but a smaller business is less of a problem.

Deputy P.J.D. Ryan:

Are many of them still running manual accounting?

Mr. R. Shead:

I think not that many now, from what I hear. You know, this is anecdotal evidence. A lot of people are running accounts of some sort on a computer.

Deputy P.J.D. Ryan:

You have not surveyed or anything like that?

Mr. R. Shead:

We have not surveyed that detail, that particular thing, but most people now run on small computers for their accounts and everything like this. People I talk to say: "Oh no, I am doing the accounts Saturday morning" and this sort of thing. People do do it, even on smaller businesses. The guy who does my boiler, he runs it off a computer. I know that he does it at home at the weekends or in the evening. A lot of people work that way, so I think most people in most businesses use a small personal computer now, I think, for their accounts and this sort of thing, and also writing letters and quotes and all this sort of stuff.

Mr. A. Goodyear:

I would have thought most people are using UK standard --

Deputy P.J.D. Ryan:

The follow-on question from that really is that should there be zero ratings for some classes of goods? If most of your members are using computer systems that can cope with that, presumably because they come from the UK generally, the software is UK, so it will cope with the UK systems?

Mr. R. Shead:

Yes. I would say probably virtually all of it is. There are local companies that do software, but they have probably adapted UK programmes that --

Deputy P.J.D. Ryan:

Because why I am saying this is that much has been made from Crown agents and from the Treasury that as soon as you put any kind of zero rating in, or exemption for different types of goods, it becomes very burdensome. I cannot remember the words, and I would need to look them up under the transcripts, but certainly, some quite strong words about the administration becomes much more difficult for them.

Mr. R. Shead:

Oh, yes. That is --

Deputy P.J.D. Ryan:

Would you agree with that, or would the computer systems cope with it when it comes to it?

Mr. R. Shead:

I am sure the computer systems can cope with anything, at a cost. It is adjusting the system to pick out the items that may be zero-rated, rather than charged at the full rate. It has other implications as well

because of the supplies chain, where people are buying from the UK and this sort of thing. You see, this the one I mentioned earlier, that there are a number of products that are zero-rated completely in the UK, and if you are having a situation where you have got to adjust, that alters people's computer system, and if your supermarket chain has maybe 25,000 price files, it is quite a complicated operation.

Deputy P.J.D. Ryan:

But anything coming in from the UK will be zero-rated, right across the board. It will only be the import, surely, that you would pay GST?

Mr. R. Shead:

On arrival in Jersey, that is right, yes.

Deputy P.J.D. Ryan:

So the whole of the UK price files will be zero-rated as export from them to you?

Mr. R. Shead:

Yes, that is my understanding of it. My understanding also is that major UK suppliers operating within Europe do not have export departments anymore.

Deputy P.J.D. Ryan:

That is because they would be within the European Union, so --

Mr. R. Shead:

They would be within the EU, and all you do is put on somebody's VAT number, and that is the total amount of export documentation, apart from alcohol product, alcohol and tobacco.

Deputy P.J.D. Ryan:

But all of your suppliers will be, at the moment, exporting zero-rated anyway.

Mr. R. Shead:

From the UK?

Deputy P.J.D. Ryan:

Currently.

Mr. R. Shead:

Yes, for export purposes.

Deputy P.J.D. Ryan:

So there would be no change, from that perspective?

Mr. R. Shead:

No, not from that point of view, but then it is the question of how do Customs or the income tax collect that data on arrival here? On some of the food lines that I have seen, you might have 300 or 400 lines. Some of them will be zero-rated in Jersey and others will not be, and that causes all sorts of administrative problems, because someone has got to go through all the invoices and separate everything out, and that is all the cost, as to what products tax would be charged on, if you see what I am getting at.

Deputy P.J.D. Ryan:

Yes.

Mr. R. Shead:

That will create a problem, and a possible backlog, depending how Customs operate the system; not so much for GST registered companies, but for non-GST registered companies, who might have split invoices, some products are zero-rated and some are not, and that might cause some difficulties as well, and some delays.

Deputy P.J.D. Ryan:

Because, you know, there have been proposals lodged currently for zero-rating of food, for example, basic food. We have already talked about what impact this would have administratively.

Mr. A. Goodyear:

There is a broader issue: that Chamber has supported goods and services tax as being a tax on everything across the board, and our support was conditional upon that - and a number of other things as well - but it was a tax on everything, and as soon as you start going down the road of exemptions, because there are very valid reasons why certain things should possibly be exempted, when you start looking at individual cases, it is quite hard to come up with a good argument why they should not be exempted, but then there is a whole raft of other issues that would come out of that. Our support of this was very much on a sort of shared pain perspective. GST was not --

The Connétable of Grouville:

Mr. Chairman, if I can just follow up on that one, that I did make a note here to ask you about this, that we are taking an assumption that the more exemptions the Government give, the higher the rate is going to have to be in order to achieve what the Chancellor wants, which is a certain amount of money. He is determined on that, and I think he has made it clear to us that he wants X, and he will get it, whatever way he has to juggle it. You have said that exemptions, there will be some logical ones. However, how

far do you see exemptions going in quantity or class of goods or class of services do you think should be exempt?

Mr. A. Goodyear:

The ideal situation would be none.

The Connétable of Grouville:

Yes, right. If we just go into charities for a start and things like that.

Mr. A. Goodyear:

Yes. I think because once you start saying that then, you know, "It is food" or where do you stop, because then you get into the whole VAT debate about biscuits and cakes.

Mr. R. Shead:

What is the basic foodstuffs, what are children's clothes and all this sort of thing.

The Connétable of Grouville:

I know. That is exactly the problem we are going to be up against. How far do you go with exemptions, if there are going to be exemptions? I think you are going to have to accept that the way the Government are thinking is that there will be exemptions on some items. I can say for a start charities, that is obviously going to be an obvious one when it comes up, and other things. How far do you see it going, or do you not want it to go anywhere at all?

Mr. A. Goodyear:

As soon as further exemptions are discussed and accepted, I think Chamber would be rethinking its entire position on goods and services tax.

Mr. R. Shead:

Yes, we would review everything, because this letter here and our consultation has always been based on 3 per cent across the board.

The Connétable of Grouville:

To achieve the --

Mr. R. Shead:

It is the least worst option to fill part of the hole, of the black hole.

Mr. A. Goodyear:

Goods and services tax is not good news. It is not a good thing, but it was accepted as the least worst thing that you could do, and our support of that, we lobbied our membership quite hard in support of Senator Le Sueur's fiscal proposition to get that in, but it was on condition of a number of factors, one being that it was 3 per cent, it was across everything and it was fixed for 3 years, and those were very much, you know, set in stone sort of.

The Connétable of Grouville:

I think that is a very clear answer anyway, Mr. Chairman.

Deputy P.J.D. Ryan:

Yes, it is a clear answer, although it should be pointed out that even in the current proposals, there are zero ratings for such things as domestic rent, there are zero ratings for --

Mr. R. Shead:

Some sort of financial services and this sort of thing as well, banking and stuff like that.

Deputy P.J.D. Ryan:

The financial services industry would be partially exempt.

Mr. R. Shead:

No, but I am sorry, I am talking about personal financial services. There is no --

Deputy P.J.D. Ryan:

Insurance.

Mr. R. Shead:

-- GST on insurance and bank charges and this sort of thing, yes.

Deputy P.J.D. Ryan:

But there are some others, like the building of domestic property, for example, is zero-rated, so do you see there being a problem with, "Is this particular tap or this particular bath for a domestic property or a commercial property?"

Mr. R. Shead:

One of our committee, who is in the building supplies business, said, "How does somebody say this is domestic and whatever?"

Mr. A. Goodyear:

It did come up as an issue. I would thought the way around that is that the person buying the bath pays the tax and then it is their responsibility to prove to the Government that that bath went into a domestic property, to get some kind of reclaim. I would have thought would be --

The Connétable of Trinity:

The thing is, I think you can only reclaim on rented accommodation. You cannot claim against your own property on tax, but if you let it out, if you receive rent from an occupier, and you repair the bathroom, you can go and buy your bathroom and you can put it in, and that you reclaim against your tax on your rent, but if you do not have the rent, you cannot claim on your own personal house.

Deputy P.J.D. Ryan:

I am not sure that that is true, John, but anyway, we are asking questions.

The Connétable of Trinity:

As it is now; it is.

Mr. R. Shead:

Yes, it was a decision though. That particular problem has been brought up, and we had not had an answer to it, or we have not really thought about it too much, but to highlight though: how do you distinguish what is a personal extension or personal improvement to a house, and what is part of a new project and this sort of thing, you know?

Deputy P.J.D. Ryan:

I think your answer is pretty clear, but we just want to be absolutely sure: medical services, for example, doctors and dentists' bills. You would be in support of those having to charge GST right across the whole gambit of --

Mr. R. Shead:

Yes, I think that has been our policy across the board. It is an across the board decision, because the other side of that is the Government has promised a -- what is the exact phrase that was used, Andrew? You know what I mean, we --

Mr. A. Goodyear:

Again, it was conditional on the introduction of a proper income support scheme. Any unacceptable hardships imposed by the introduction of GST were offset by the appropriate income support, and again, that is another thing Chamber have said, that its support of GST is conditional on that. So it is a responsibility of that scheme to solve some of the unacceptable hardship issues that might come about through the introduction of GST.

Deputy P.J.D. Ryan:

Thanks. I think I would like to move on to something new, unless there are any more questions on the exemptions and zero rating? Okay, can we move on to the question of the taxing of imports and the procedures for paying GST on importation? Have you had any detailed discussions with the Crown agents and --

Mr. R. Shead:

We have had a series of discussions. On our committee, we have a focus group representing retailers and the supply chain, and we have had some discussions with Gary Conlon, who has been the tax advisor that I know, but Steve Lowthorpe has started his job this week as the GST Director. Yes, we have had some discussions on this, and basically, our understanding - and this is shared by the Treasury, or by the GST people - is that the original idea was to capture the import data at the time of arrival. We have proved to Gary Conlon and the GST people that, in fact, this will not work, because there is an enormous amount of post-shipment invoicing. Goods are delivered on or sent forward on delivery note, sometimes not even with any bit of paper, "Box for Jersey, mate" sort of thing, you know? That is what you get, and so therefore we have discussed this with Customs, and the idea is that a GST registered company would then declare its imports on the first input return, whatever period that might be. So in a way, for companies that will be registered for GST, that does not present a problem, because if the Customs or the tax office want an audit trail, they will have the ship's manifest, which will detail a shipment. It might not have the true value on the shipment, it might not even have a value, but they will be able to identify it and then they can, using the existing powers under the Customs law - let alone any new powers that there are under the GST law - will be able to go to the GST registered company and say, "Audit trail on this particular shipment" and it does not present a problem. The problem is how do you cope with personal imports, and how do you cope with companies that are non-GST registered? Where do you capture the data at arrival, what complications that has for shipping companies, because there is not a lot of space on the harbour? You have got to clear it pretty quickly, within a day or so, so where do you put anything, how do you hold anything that is liable for GST? The law makes it very clear that international transport, which includes transport from the UK or from France, is not subject to GST at all on a freight account or anything like that, but it also makes it clear that the liabilities is on the importer to pay the GST.

Mr. A. Goodyear:

Yes, so they will not release it until --

Mr. R. Shead:

Yes, that is the problem. How do you work out a system to hold stuff? How do you work out a system for personal imports? I am thinking of - and I buy them - Dell computers and this sort of thing. They

are not registered here at all. How are they going to cope with that? Of course, the other problem is what would the de minimis level be for personal; not just for only personal imports, any import, what level would they want to charge GST over and above, if you see what I am getting at?

Deputy P.J.D. Ryan:

Yes, and so they have not come to any conclusion yet, is that what you are saying?

Mr. R. Shead:

We have come to a conclusion with regard the GST registered companies, but it is the non-GST registered companies or non-GST registered imports, if I can put it like that, and private imports. That is the difficulty.

Deputy P.J.D. Ryan:

So as far as those of your members that are registered for GST, or will be registered for GST, you are now happy, because the goods will come through seamlessly, and as long as you account for those goods coming in and account for the GST that is due on them in your quarterly return - or your next return, whenever it is - then the authorities will be happy, and you will be happy.

Mr. R. Shead:

So long as it is all computer-based, email-based or electronically based, and the payment system is also electronically based as well, because it is very difficult to pay States departments by BACS and you cannot pay your Social Security by BACS. They do not have a system. You can pay your ITIS now from this year by BACS and that is it. You know, you cannot pay anything else at all.

Deputy P.J.D. Ryan:

So the whole gambit of paying the government electronically is a bit of a problem?

Mr. R. Shead:

It is essential.

Deputy P.J.D. Ryan:

Okay, ITIS is okay, but everything else is not?

Mr. R. Shead:

We are told that the whole system of input and output will be electronically based, and that is the only way it could work.

Deputy P.J.D. Ryan:

That is interesting.

Mr. R. Shead:

Because this is 2006, we are filling out forms, it is just crazy. I guess a lot of it will be based on people's purchase ledger, what they are buying, then they will have the correct value. They know what they have ordered, but maybe some stuff is missing or whatever, it is really based on what they enter into their goods inward system, and in many cases, that will always be computer-based. We estimate that 80-odd per cent of the GST will probably be paid by about 30 plus companies.

Deputy P.J.D. Ryan:

Are you still pursuing this question for those of your membership that are going to be below the £300,000? Therefore, are you still pursuing this area?

Mr. R. Shead:

We have asked the question, but we do not have an answer to that yet.

Deputy P.J.D. Ryan:

You do not have an answer?

Mr. R. Shead:

Yes, we said, "How are you going to cope with personal importation and people who are not registered?"

Deputy P.J.D. Ryan:

Do you have any views on what an import, the minimum would be? Do you see the --

Mr. R. Shead:

I was quoted, and the GPB is sort of bouncing a figure of £100, but that is probably not that realistic, because that means it will cost more to collect £3 GST than it would be.

Mr. A. Goodyear:

There is a real issue with that, because it is too high and it is too low. £100 is quite a lot of stuff that you can buy, which would potentially put local businesses at a disadvantage - more of a disadvantage - and also, it is too low, because who wants to collect £3 worth of tax?

Mr. R. Shead:

This was what I was trying to highlight when I was asked this question. The figure, the actual de minimis level is going to be very difficult to say.

Deputy P.J.D. Ryan:

Do you set it from a government perspective of how much it costs to collect?

Mr. R. Shead:

I would have thought everything has to be related to actual collection cost. I would have thought so. It cannot cost £10 to collect £3. It just does not make any logic, and one assumes that somewhere, that some people in the Treasury and the Customs and tax are thinking about this.

The Connétable of Grouville:

I am just going to say, do not ever estimate the value of bureaucracy.

Mr. R. Shead:

No, that is part of the problem, but if you have it at too high a level, that would disadvantage local retailers who are already being disadvantaged in a way by the ease of internet buying, which will be interesting when the Household Expenses Survey comes out, to work out exactly how much people are spending on the internet and how much people are doing mail order as well, you see. You have a whole raft of issues here. You cannot quite call it parallel importing, but there is a lot of off-Island buying, shopping and this sort of thing. If people go on holiday, for example, we go to London, Madam sees something she wants and I get my VAT back, then if it is over £100, we are going to have to declare it here. That puts an enormous administration burden on for collecting minimal amounts of money. Obviously, Customs have told us that they will have their same uniformed staff at the docks and at the airport, and they will be looking for anything suspicious, like cars heavily laden down, right on their axle, especially at low tide when they come up the ramp like this, you know? They might want to have a look inside and see how many cases of wine you have got stuck in there and whatever, but that is the sort of issue. That then becomes a manpower issue.

The Connétable of Trinity:

What happens with those people who go to France regularly every week to purchase food for their shops?

Mr. R. Shead:

Yes. We have no answer to that. I mean, you go the Carrefour in St. Malo, you could easily spend £100, as well as having a nice lunch there as well, of course.

The Connétable of Trinity:

I am talking about people who get their produce, you know, they spend thousands to resell.

Mr. R. Shead:

Oh, I would say if it is commercial, commercial quantities, that has to be declared and GST has to be paid on it in commercial quantities. If you are talking about a private citizen, me taking the car over and go shopping on a Saturday and coming back, then there is an issue there as well, but in fact, if it is a commercial importation, I would say that this is a job for Customs to make sure that -- I mean, they know the people, the white van men who go across - I know this goes on quite a lot, people buy from wholesalers in St. Malo - but then that would be up to Customs to make sure that they collect the revenue.

The Connétable of Trinity:

No, hold on a minute. It is Treasury who are the collection agents on this, are they not?

Mr. R. Shead:

Yes, I think Customs are acting as a --

The Connétable of Grouville:

No, Customs are the collection agent across on import.

Mr. R. Shead:

They are acting as agents for income tax and so on.

The Connétable of Grouville:

I think this is going to be a major problem, because I know we have a big farm shop near us, and they go once a week with the van, water, bottled water and fruit and bring it all back. **[Interruption]**
But those are commercial imports, and therefore, to have a level playing field, they should have to pay GST, and it would be up to Customs and the tax office to look at a way of making sure that the GST is paid.

Deputy P.J.D. Ryan:

Can I ask you a question about the goods going in the other direction: what is your position on export relief for people buying goods while they are on holiday here, and taking them away?

Mr. R. Shead:

It is something we have discussed. We have been told categorically that there will be no government procedure for reclaiming of GST. A number of retailers who sell single high-price items, watches, jewellery, this sort of thing, I have discussed this and seen if there is a way of doing that, and there is perhaps a possibility to set up something, maybe at the airport or down at the docks or something like this, but the problem is the amount is so small. If you have got a £10,000 Rolex, so you pay 3 per cent

GST, but you still have to pay a fee to get that back. The problem is how to operate that, using something like - I do not know - a foreign exchange at the airport or something like that, but then you have to prove, so therefore you would have to have that air site that someone has been through the security is leaving. You cannot just say, "Oh, I am on a flight. So-and-so in the shop in town --" because that would not work.

The Connétable of Trinity:

But would they not, when they land in the UK, suddenly find that they have got about 17.5 per cent put on that watch as well?

Mr. R. Shead:

That is another issue. That is up to somebody to declare to the Revenue in the UK whether they want to do that.

The Connétable of Trinity:

The thing is, they might not worry about paying 3 per cent if they can get through without paying the 17.5 per cent.

Mr. R. Shead:

That is right, yes, but that is somebody's private judgment, let us put it like that, as to whether they declare it back on arrival in the UK, but there is no official system. There might be potential for a business or somebody to start up something like this, but I would say it is very difficult, considering the relatively low values.

Mr. A. Goodyear:

Is the UK system privately run for VAT reclaim?

Deputy P.J.D. Ryan:

I am not sure.

Mr. R. Shead:

No, it is not. No, it is the Customs. I have done it, you go through Gatwick and you go to the desk. Sometimes they ask for the paperwork and they ask to see the goods, whatever you bought, like Madam's clothing from Selfridges or whatever; other times they just say, "Oh no, no".

The Connétable of Trinity:

There are companies that specialise in reclaiming on your behalf as well, because I remember buying a camera at Dicksons, and they said, "Oh, use this company, they collect it for you" and old Muggins, not

really realising what was done, was charged £5 to get £15 or something.

Mr. R. Shead:

There is a company that does this, tax-free businesses, you know? I can only speak from my experience in Selfridges. You join all the non-EU people with their passports and whatever and they look on it, “Oh, yes. We have got Jersey down here” and so long as it is worth it, they will go through the procedures to reclaim the VAT.

Deputy P.J.D. Ryan:

I have come to the end of my questions, unless there are any others from other members of the panel that we have not covered.

The Connétable of Grouville:

I am quite happy that we have got definite wishes from you, ie on the inclusive/exclusive situation. I am happy with that. I am not saying I agree with all this, but I am happy that you are now absolutely dead set against really any exemptions at all, but if you do have to have them, you have a small amount of exemptions, and I think that is quite valuable, from our point of view, to have those decisions on the --

Mr. R. Shead:

Also, of course, we want to reassess the issue completely --

The Connétable of Trinity:

Absolutely. Yes, that is taken.

Mr. R. Shead:

-- on the basis of, say it is 4.5 per cent, for example. I have made this clear to politicians that this is a whole new ballgame.

Deputy P.J.D. Ryan:

Anything above 3 per cent is?

Mr. R. Shead:

Oh, yes. This is the whole basis of this; the whole basis is basically across the board at 3 per cent for 3 years, with the possible areas that we discussed to be covered by the income support scheme.

Deputy P.J.D. Ryan:

Let me ask you a question about the £300,000 a year turnover threshold for registration. If that were to go down to £50,000, would it change; would your views change?

Mr. A. Goodyear:

I think we would have to understand why that was being reviewed.

Deputy P.J.D. Ryan:

It would get more revenue, would it not?

Mr. R. Shead:

£50,000 is an incredibly low threshold.

Deputy P.J.D. Ryan:

The UK is £60,000.

Mr. R. Shead:

£60,000 with VAT, but then of course you have got VAT much, much higher. Somebody on £50,000 would be paying a minimal amount.

Deputy P.J.D. Ryan:

I think France is only about £10,000, is it not, or something?

Mr. R. Shead:

Yes, but France you cannot quite compare. I know where you are coming --

Deputy P.J.D. Ryan:

Yes. A lot of focus is on the 3 per cent, a lot of focus is on that it is for 3 years and it is not going up and a lot of focus is on, and it going to be broad-based and no zero-ratings and exemptions. There has been a lot of focus and thought been given to that, but I suspect that there has not been that much thought given to the £300,000 threshold as compared to the others. There might have been within Government circles, but at your Chamber of Commerce level, are you happy with the £300,000 a year?

Mr. R. Shead:

I think it is probably the right balance.

Deputy P.J.D. Ryan:

Have you given thought to lower?

Mr. R. Shead:

We have not, I have to be --

Deputy P.J.D. Ryan:

Or higher?

Mr. R. Shead:

No, we have not. We have not. We have accepted that as sort of the right balance of figure, let us put it like that. We have not gone down the ladder.

Deputy P.J.D. Ryan:

If you went up to £1 million a year, as a turnover, a large proportion of your members would not be involved with it.

Mr. R. Shead:

That is right, yes.

Deputy P.J.D. Ryan:

Maybe you would have to have a 5 per cent then with £1 million turnover. That just means that only the bigger businesses would deal with it.

Mr. R. Shead:

We have not gone down that road, let us put it like that.

Mr. A. Goodyear:

But I think that again is a sort of fundamental change in how it is operating, and how it is seen to operate, because then it is not a tax being collected by everyone; £300,000 is not everyone as well, but at that level, it becomes a completely different beast.

Deputy P.J.D. Ryan:

Have you given any thought, for example, to having the threshold at £50,000, but having a 2.5 per cent GST?

Mr. R. Shead:

No, we have not. I have to say that some of the original thoughts on it were done a number of years ago before I got involved as Chairman of the Retail Committee.

Mr. A. Goodyear:

I think there is something important about keeping the tax low, but then it must get to a point where the tax is so low that it is just not worth collecting. I mean, it is, if you look at the whole thing, but there are

issues - as we are seeing - with the tax being as low as 3 per cent, because on imports and exports, there is a high level of administration cost, so I think there is, again, a balance on how low it would be.

Deputy P.J.D. Ryan:

Of course, from an import perspective, if you have got a £50,000 turnover, that means that virtually every business, from an importation point of view, would be registered for GST, so you would not have the problem that we are currently talking about, with how do you deal with those --

Mr. R. Shead:

How do you deal with non-GST? Yes, exactly.

Deputy P.J.D. Ryan:

It would largely diminish that, and you would only then be left with personal imports and personal shopping, as opposed to businesses that are importing for commercial reasons below the £300,000.

Mr. R. Shead:

But when you include somebody at £50,000, it is not £50,000 worth of goods, it is the total turnover that would obviously include staff salaries and costs and those sort of things. If you are employing 2 staff in one business, you have got to be talking of £50,000 before you buy anything.

Deputy P.J.D. Ryan:

Yes, effectively, it means virtually every business, even a one-man band - does it not, really? - would have a turnover of £50,000, so it means every business would be involved. With a turnover of £300,000, I think I have seen some figures that mean that large proportions of businesses would not be involved or would not be registered, unless they choose voluntarily to register.

Mr. R. Shead:

Yes, people can choose to do that, yes.

Deputy P.J.D. Ryan:

Have you done any research on how many people that are below £300,000 would register voluntarily?

Mr. R. Shead:

No, we have not done that, no. That is an interesting point that you have raised there that we would like to discuss further, let us put it like that, and go out to our members and ask a few questions on that.

Deputy P.J.D. Ryan:

Would you be prepared to do that?

Mr. R. Shead:

Oh, yes.

Deputy P.J.D. Ryan:

Would you be prepared to share with us the results?

Mr. R. Shead:

Yes, certainly.

Deputy P.J.D. Ryan:

That would be very useful.

Mr. R. Shead:

Because we have our monthly online magazine, and we can start asking people's opinion and say, "What do you think of this?" Obviously we will publish that we had the meeting with you and we will ask some of the questions that you have asked, and we will ask these questions of our members.

Deputy P.J.D. Ryan:

Why I am saying that is - I am really hypothesising - if you got a result from that kind of survey which showed that most businesses with a turnover of £100,000 were going to register voluntarily anyway, because they wanted to reclaim their GST inputs, it could have a big bearing on the importation situation. You could ask - or we could ask - the Treasury to recompute based on the £100,000 turnover threshold, as opposed to £300,000. Do you see what I am --

Mr. R. Shead:

Yes, I see where you are coming from completely, yes.

Deputy P.J.D. Ryan:

We could be talking about something totally different, so I think that kind of research would be very useful.

Mr. R. Shead:

We will have a look at this and see what we can do, yes.

Deputy P.J.D. Ryan:

Thank you. Any more questions to ask? I think that concludes everything we want, unless you have any further things to add yourselves?

Mr. R. Shead:

No, we have really covered everything now, I think, yes.

Deputy P.J.D. Ryan:

There is one suggestion that we have had. It has come through our 010 Scrutiny Review, and in the GST review, we are not specifically looking at the regulation underlay - undertakings, charges, proposals - and I think that that particular review, you are going to be asked those kinds of questions from that direction.

Mr. R. Shead:

We already have given our consultation in our response to the 010, yes.

Deputy P.J.D. Ryan:

But as part of that, shall we say that the regulation of undertakings charges have come under quite a lot of criticism, and a suggestion was made by someone that that panel was interviewing, a Mr. Johr Shenton, that a possible way of replacing the Regulation of Undertakings and Development Law and getting the same revenue, but through a different route, might be through a sort of partial limitation on some businesses being able to reclaim their GST invoice, of GST that is charged to them, and that those businesses without Jersey shareholding could be targeted for that. Do you see the point?

Mr. R. Shead:

I see where are you coming from.

Deputy P.J.D. Ryan:

So we are looking at the possibility of the non-Jersey owned business, those that are not contributing to the tax base locally, might have a limitation to say - I am only picking a number from out of the sky - instead of being able to reclaim 100 per cent of your GST inputs, the GST charge to you, you would just have a figure of, say, "You can only reclaim 75 per cent of that." You still have to charge the full GST.

Mr. R. Shead:

Yes. It is a question of reclaiming it.

Deputy P.J.D. Ryan:

It is a question of reclaiming that charge to you. That would be real cost on those particular businesses that you did that to, and the suggestion is that that would be preferable to an RUDL (Regulation of Undertaking and Development Law) charge. This is to do with the equity between local businesses and non-local business.

Mr. R. Shead:

No, we understand.

Mr. A. Goodyear:

Our response, we do not support the RUDL charge, but we support the sentiment, and we were very strong. There is this inequity in the situation, and in our response, we have said, "We do not support the RUDL charge, but please do not stop looking at this issue."

Deputy P.J.D. Ryan:

Effectively, if you were to say 75 per cent of your GST inputs, a GST input might account for certain businesses of 50 per cent of their turnover, something in that area, who knows?

Mr. R. Shead:

We know that the loss --

Deputy P.J.D. Ryan:

A retailer?

Mr. R. Shead:

Sorry?

Deputy P.J.D. Ryan:

Say a food retailer.

Mr. R. Shead:

Oh, sorry, I do not know enough about that, we might need to have some thought about it. But the initial reaction is we need to think about that a bit more with someone who is more of a financial person than I am, let us put it like that. But the idea was that by the loss of tax to non-Jersey owned businesses, we are looking at £12 million. The RUDL charge, if it went through would collect £6 million, so I gather it has not been budgeted for anyway, and seeing, I suppose, that the GST is supposed to catch £45 million you are looking at 10 to 12 per cent of the GST making up that, if you see what I am getting at? Interesting one.

Deputy P.J.D. Ryan:

It is a concept that -- but can you see any particular immediately -- we have researched it. We have had our own researchers look at it and cannot find any particular reason why not.

Mr. R. Shead:

I can see an administrative problem in sorting it out with this attendant costs as well, straight off the top of my head.

Deputy P.J.D. Ryan:

Of course there would be attendant and administrative costs with RUDL.

Mr. R. Shead:

Yes, there would be.

Deputy P.J.D. Ryan:

It could be even horrendously more.

Mr. R. Shead:

Well, the RUDL one would be much, much more. That is one of the reasons why we opposed it.

Mr. A. Goodyear:

It is hard to tell just off the cuff but certainly looking at other ways of trying to settle the balance is something we are still urging the government to do.

Deputy P.J.D. Ryan:

Probably unfair to ask you to go any further at this stage.

Mr. R. Shead:

No, you raised the point then. I know who to ask who understands the financial things much clearer than my --

Deputy P.J.D. Ryan

I suppose it will depend on who you ask as to what answer you get.

Mr. R. Shead:

Well, no, not necessarily. On the Chamber Council one of our members is much more financially and fiscally aware, let us put it like that than I might be.

The Connétable of Grouville:

Young Clive Spears?

Mr. R. Shead:

Yes, that is right.

Deputy P.J.D. Ryan:

Thank you very much for your time this morning. It has been very interesting and good luck with your further negotiations on the importing side and getting a resolution.

Mr. R. Shead:

We are hopeful. I mean we seem to be making -- they understand the practicalities. This is the one big advantage that dealing with the customs of the agents, they know what the problems are and they are willing to listen and they understand it.

Mr. A. Goodyear:

But it is August 2006 and it is due in 2008 so time is moving on.