



Economic Affairs Scrutiny Panel

Retail Policy

THURSDAY, 13th MARCH 2014

Panel:

Deputy S.G. Luce of St. Martin (Chairman)
Connétable S.W. Pallett of St. Brelade
Connétable M.J. Paddock of St. Ouen
Connétable J.E. Le Maistre of Grouville

Witnesses:

The Minister for Treasury and Resources
Assistant Minister for Treasury and Resources
Director of Estates, Jersey Property Holdings
Deputy Director Tax Policy

[12:14]

Deputy S.G. Luce of St. Martin:

Well, welcome again to the last hearing this afternoon now of the Economic Affairs Scrutiny Panel. The usual rules apply, and if we could just very quickly go round the table to identify ourselves. I am Deputy Steve Luce, Chairman of the panel.

The Deputy of St. Martin:

Thank you very much. That is wonderful. Minister, we know it has all been a bit of a rush and we are a bit limited for time. Some of us may have to leave before we get to the end of this, but your Assistant has ably taken us through his plans for the markets and how he sees that moving forward. But now that we have you here, we would like to concentrate much more on financial and treasury matters as regards the retail sector in Jersey.

[12:15]

I think I would like to focus in immediately, which is good because we are short of time so we will cut straight to the chase, and start talking about the number of representations that we have had which say from local retailers that they feel they are not treated on a level playing field inasmuch as you can buy something on the internet for £150 and have it imported without G.S.T. (Goods and Services Tax), and yet if you want to buy the same thing in St. Helier you pay G.S.T. Could you just talk us through, Minister, where we are with *de minimis* levels, the difficulties in reducing *de minimis* levels on the Exchequer, the costs of picking up that tax money if we decided to go down that route of reducing the *de minimis*, and we would like to focus in after that on how we might if not impose, persuade some of our large internet companies to maybe collect G.S.T. on our behalf. So I hand over to you.

The Minister for Treasury and Resources:

Okay. The issue about *de minimis* has been obviously very hotly debated for a number of years, both in the U.K. (United Kingdom) and here when we introduced G.S.T. In the U.K., it is at the heart of the debate about L.V.C.R. (low value consignment relief) and basically the traditional wisdom has been that you should effectively try and minimise your administrative burden in collecting tax. Hence the original L.V.C.R. limit in the U.K. was quite high because of the additional costs of collection. Here G.S.T. was brought in. A *de minimis* amount was effectively agreed as an amount G.S.T. would be payable, which is reflected in a *de minimis* amount, and since G.S.T. went up to 5 per cent obviously it is £240 G.S.T. free amount. I was at the point of announcing publicly that we should look at the *de minimis* limit. I have not said this in public before, but I was on the point of saying that we needed to look at it when the former Chamber of Commerce President announced that it should be effectively reduced. I think we were all incredibly struck, certainly I was, at the public vociferousness of the fact that they wanted to be able to continue to shop online and they regarded the *de minimis* limit almost as a vital part of their own consumer choice options of shopping. Now, it is interesting that you say that it is retailers that are calling for this. I think the basic premise must be, if I may say - and I have been thinking quite a lot about what I was going to say to you today - our primary political objective must be to consider consumers, consumer welfare. The second order issue: businesses exist to serve

consumers. We serve the public. So sometimes we do things that are unpopular. Sometimes we have to do that, but I think that if you are going to listen and you are going to make recommendations about the *de minimis* limit and we are going to take account of *de minimis* limits, we have to understand the strength of public feeling on this. That is that, yes ... and I know that there are trade-offs and I know there are difficulties, but consumers I have no doubt will respond in a similar way that they did when the Chamber President ... who I thought might get a rather different response. So at the same time the world is changing. Collection of G.S.T. becomes easier the more administratively mechanised and the more technology is used. When I have been down to Jersey Post, I have been and looked and seen what happens every morning with the planeloads if there is no fog or the commodore containers come in. Retailing online is going up. That is what people want to do and it is going to carry on going up. There is the 80/20 rule, I think. I think Kevin Keen has addressed you, and if he has not I would encourage him to formally address you and give some evidence. It is clear that the 80/20 rule is applying in terms that the majority of inward parcels and retail online purchases are through the dominant retail operators, i.e. Amazon. Most of it is manifested so probably it is going to be easier to collect G.S.T. as time goes on. G.S.T. collection is perhaps not as acutely parcel by parcel cost. One has this visual image of a customs officer at the border checking every single parcel. The reality is that most parcels are on big manifests and you can do electronic systems. I buy stuff on the internet, like we all do. I compliment our G.S.T. collection team on the way that you now register and pay your G.S.T. for items over £240 and I rarely hear any comments about it. We are going to have to reduce it, I know, in the longer term. It is inevitable.

The Deputy of St. Martin:

But is the simpler method not to pay it at the point of purchase? Is the simpler method not to speak to Amazon, to speak to John Lewis and say: "No, we would like you to collect this tax on our behalf"?

The Minister for Treasury and Resources:

You raised the question to me on an email in advance for today about a specific example of a retailer that is charging G.S.T. Without mentioning any names because we never talk about individual taxpayers and I certainly do not get any information about any individual taxpayers, I think that one must differentiate between those retailers who are effectively a virtual Jersey store and a non-Jersey store. Virtual Jersey stores have to pay G.S.T. because that is how they are set up and they are registered in Jersey. We are only very small and we could change, of course, the law. We could not just have a bilateral agreement with Amazon or John Lewis. You must apply rules universally. Have regard to who is going to implement them, but of course we could not have one rule for Amazon and one rule for everybody else.

The Deputy of St. Martin:

No. The interesting point and the reason we raised this particular issue with you is we did discover a website where you can purchase goods from the U.K. where the V.A.T. (Value Added Tax) was taken off and the G.S.T. was added. We have discovered since then that the sales on this particular website are slightly different from an Amazon type inasmuch as the product does not go into the ownership of the buyer until 14 days later. So, in actual fact, the transition or the transaction occurs in Jersey rather than in the U.K. That is why this particular company is able to do that. So we realise that our initial enthusiasm was tempered a little bit. But having said that, it did highlight to us that a large U.K. company which was sending goods to the Island can quite easily put into their computer system a process which takes off the V.A.T., adds the G.S.T. that you pay for, and then sends the goods to you.

The Minister for Treasury and Resources:

Yes. We have the Director of Tax Policy here and I know that we have been discussing with the head of revenue collection at Customs this issue. Do you want to add anything about the practicality? We know where this is heading. I suspect with a matter of time we will ... we need to maximise revenue for the Treasury. With increased retailing, there is only one way that these numbers are going to go and that is upwards. Paul is the expert, and then I will come ...

Deputy Director Tax Policy:

Referring to the situation that you highlighted to us, you are absolutely right. The particular retailer or retailers operating in certain ways, effectively what they are doing is they are supplying the goods in Jersey. As they are supplying goods in Jersey over the G.S.T. registration threshold of £300,000, they are not making a choice about then charging G.S.T. They are legally obliged to charge G.S.T. So we should not see them as being benevolent or helpful to us. They are just doing what they are legally obliged to do. If they were not legally obliged to do so, I am sure they would not be charging G.S.T., let us put it that way. But other retailers, other internet retailers, the way they operate, their supply is not taking place in Jersey. They are making their supply outside the Island. While they are making their supply outside the Island, they are currently outside the scope of the G.S.T. law. They are just not within the scope. So we cannot oblige them to charge G.S.T. because they do not fall within the law.

The Deputy of St. Martin:

There are 2 issues. There is one quite specific and then there is a generalisation I would like to put to you. The first one is the specific one. If, for example, I own a website and I am a Jersey-based company and on my website I have a link to Amazon, does that oblige Amazon to pay the G.S.T. because the transaction is being done on a Jersey website in Jersey?

Deputy Director Tax Policy:

It would all depend on the totality of the transaction. You would really have to look at it in detail. It would come down to looking at the legal nature of the transaction, where were the goods supplied. That would be the question you would have to ask and to answer and it would depend on the whole situation. So there is a chance that G.S.T. ...

The Deputy of St. Martin:

My generalisation, before I come to John regarding this, is probably for the Minister. We have an individual problem in Jersey when we find we have a lot of stuff coming from this massive company where we cannot get our hands on the tax that we would normally like to or as much as ...

The Minister for Treasury and Resources:

We should not criticise them. We have made the rule that that is the case, yes.

The Deputy of St. Martin:

Yes. Other countries must be in a similar situation to us, larger countries. Is it possible that states in America and things like this would find themselves in similar situations to us? Can we generally expect as the years roll by that people are going to be looking to these large businesses like Amazon, for example, and saying: "Hang on a second, we have to do something. Our tax income is going down and down and down and our population buys all their goods from you. How do we square the circle?"

The Minister for Treasury and Resources:

Absolutely. It might interest you to know that I understand that the biggest online retail ... the biggest postal retailer or online retailer with inward goods into Australia is Amazon.co.uk. So they have exactly the same issue to a great extent. We are in a similar place to other places. The U.K. unilaterally reduced their L.V.C.R. amount for us because it was being abused. Hopefully there may be some good news on that as I understand - but I am not sure on that issue - to do with flowers and stuff. I have heard that in the last couple of days. But the other issue that is the difficulty is that you cannot have one rule for Amazon and John Lewis and no rules for everybody else. It needs to be consistent. The problem is an administrative one. The well-intentioned effect of reducing the *de minimis* to collect Amazon, who could do it probably relatively easily, although we would need to talk to them because some of what you are doing is you are buying on a trading platform and somebody else is supplying the goods. One would need to understand more about how Amazon works because it is not just a retailer. It is a marketplace that is going to other retailers. Now, the point is that we are so small you could have the unintended effect of effectively if you set a *de minimis* rule low and said all retailers outside the rule need to collect G.S.T., you

could get those retailers to say: "Well, we are not going to supply Jersey. It is just simply not worth our while. We would like to but the administrative systems for a tiny marketplace for us as a business is not worthwhile." The danger could be that this well-intentioned policy that we put in place of putting the burden on the retailer could end up restricting further consumer choice for Islanders, and that would be bad.

The Deputy of St. Martin:

We could not do that on our own, but if Australia came along all of a sudden Amazon might take a slightly different view.

The Minister for Treasury and Resources:

I must admit I have not updated myself on the Australian situation in the last few months, but it is a live issue there. I am pretty sure they have a much larger *de minimis* amount than us. I recall it was something around £500.

The Deputy of St. Martin:

Sorry, John, we ...

The Connétable of Grouville:

No, that is all right. I was just wondering if you had an estimate of what lost revenue there is in having such a high *de minimis*. If you lowered it down to virtually nothing, have you any idea what that would generate?

The Minister for Treasury and Resources:

No. We have some data here and we will send a note. We know that in 2012 there were 862,000 parcels. I am not going to make up these numbers. I am going to give you a proper note on this.

The Connétable of Grouville:

Be a nice idea, yes.

The Minister for Treasury and Resources:

Yes, I will give you a proper note because we have some variations on numbers of consignments and how many consignments will be attached ...

The Deputy of St. Martin:

Do we have even a ballpark figure of where within hundreds of thousands of what sort of levels of tax we are missing out on?

[12:30]

Deputy Director Tax Policy:

We do not with us at the moment. We could ...

The Minister for Treasury and Resources:

Things have changed. We will commit to giving you an up-to-date number on that figure. I do not have one in my notes from Customs. It is quite difficult but it is certainly not as much as people would think. I think it is probably a very low few million pounds, very low, but I will verify that number for you.

The Connétable of Grouville:

There is also some loss within the system because some parcels above the *de minimis* get through as well.

The Minister for Treasury and Resources:

I think that because of the manifest system Customs are pretty hot on picking up items. They do a lot of work. I have the greatest of praise for our Customs guys. They do a lot of good work at the post office preventing illegal imports - we have seen obviously all these legal highs and things - but also looking after revenue maximisation. We can get some up-to-date numbers on what they think we are missing.

The Connétable of Grouville:

That is harder to do.

The Minister for Treasury and Resources:

It is hard, yes, much harder, yes.

The Connétable of Grouville:

Because I do not think these people are doing it necessarily intentionally. They order something and it just gets delivered and they think: "Oh, well."

The Minister for Treasury and Resources:

I do not envy your position in having to adjudicate and give a recommendation on what you think should be done because it is complex and it is difficult.

The Deputy of St. Martin:

It may be made easier if your numbers come back and it is very low, single digit numbers of millions of pounds of tax income that we are missing out on. Our job may be made slightly simpler inasmuch as if we knew you were missing out on £30 million or £40 million worth of income, for example.

The Connétable of Grouville:

It would have changed by now. [Laughter]

The Deputy of St. Martin:

Well, it may well have done.

The Minister for Treasury and Resources:

You are dead right.

The Deputy of St. Martin:

It is interesting and we know we have this issue where people on the Island are very keen to see the retail sector of St. Helier flourish and they want a vibrant town and they want to be able to walk through town and see all these shops open and have all the choice, but they still want to be able to go home and buy online. The point you made, Minister, this morning is that there was a public outcry when we suggested maybe reducing the *de minimis* level in that they say: “No, no, no, we want to be able to buy tax free.” But those people want St. Helier to stay vibrant. Squaring the circle is not simple.

The Minister for Treasury and Resources:

It is not but in ...

The Deputy of St. Martin:

How can it be fair? The people who say: “How is it fair that I can go into St. Helier and have to spend 5 per cent more than if I buy on the internet?” How is that encouraging local trade?

The Minister for Treasury and Resources:

Yes. It is a very good question and politicians cannot and should not ... and I am not suggesting you are and I am not going to pretend that we can solve and create solutions to all of these difficult trade-offs. The first thing is it is not a binary issue of St. Helier prime retailing versus Amazon importing. There are all sorts of other ways of serving consumers in Jersey, whether or not that be at lower cost retail sites; for example, a couple of farm shops that have now engaged in wider

retailing. There is a spectacle supplier that is working out of a farm store not very far away from the centre of St. Helier who is competing against high street opticians at much lower prices.

The Deputy of St. Martin:

We have just had the Constable of St. Helier in the Assistant Minister's very seat this morning saying that it is desperately important that we maintain the core of retail in the heart of St. Helier and that moving to the periphery, moving out into the countryside, is the worst thing we can do.

The Minister for Treasury and Resources:

Yes, the Connétable of Grouville is among us and he has a much valued and well-frequented farm enterprise which itself is an example of businesses having to move on. Holme Grown used to be an indoor tomato producer. That market changed as all markets uncomfortably do. To their great credit, that family have reinvented themselves and are using an existing business footprint to continue their family enterprise and serve customers in the way that they want to. That is not in St. Helier core.

The Connétable of Grouville:

Can I just correct you? You said I have. You mean in my Parish.

The Minister for Treasury and Resources:

Your Parish, yes. I am sorry, in your Parish. [Laughter]

The Deputy of St. Martin:

But are we as politicians happy, Minister, to allow that to happen when we know that if it happened in a number of more occasions around the countryside that will have a direct detrimental effect on the retail in the centre of St. Helier?

The Minister for Treasury and Resources:

The J.E.C. (Jersey Electricity Company) Powerhouse just outside the retail core is a less controversial example than Rondels Farm Shop or Holme Grown. It is really difficult. Of course the Constable of St. Helier is right, we need to protect and do whatever we can to put in place policies to ensure retail ... and is it actually only retail? Town centre vitality. High streets are changing. They have always changed from my grandfather's time, my great-grandmother's time when she had a shop. I think she had the chip shop at Hectors. The world has changed then and it will continue to change. The only thing is now, uncomfortably, change happens faster and we cannot hold back that tide of change. We cannot be protectionist. Our primary duty has to be consumer welfare. It is difficult. Markets do not operate perfectly and you need to put some rules in place to make markets work better. I have been described as making candyfloss comments

yesterday in the Chamber of Commerce President's remarks about the U.K./Jersey price comparisons. There is nothing candyfloss in my remarks about the high cost of groceries, alcohol and tobacco compared to where they ought to be in a properly functioning market. There is nothing candyfloss about these concerns. It is real and we have to do something about that. I think what we have to do is hold true to the principles that markets change. We have to enable change. We have to make markets work. Competition delivers the best consumer choice. We have obligations to consumers to allow their money to go as far as possible to allow choice. There is no accident, I am afraid, that when we introduced, for example, the Competition Law we had inflation in Jersey running until 2005 higher than the U.K. to a great extent. We brought the Competition Law in and it stopped and it has been unwinding ever since and that process is difficult. There are painful choices sometimes for businesses that are adapting.

The Deputy of St. Martin:

What you are saying, Minister, is not going to be music to the ears of some of St. Helier's retailers.

The Minister for Treasury and Resources:

Well, no, it is not. I think we should do everything possible to assist retailers but not be protectionist. Doing so, holding back tides of change that are absolutely inevitable, ends up causing more problems in the longer term.

The Deputy of St. Martin:

I see you refer to the difference in prices between the U.K. and Jersey. In the report very recently published the cost of clothing and footwear in Jersey is 92 per cent of ... or 100 per cent of what the average price is in the U.K. Is that attributable to the internet, would you say?

The Minister for Treasury and Resources:

No, because I think that is an example where clothing and footwear retailing is ... the market seems to be operating well. These prices, of course, compare inclusive V.A.T. 20 per cent in the U.K. versus 5 per cent in Jersey. One would expect a premium in Jersey because of freight costs. One would expect it to be higher costs. Not all costs in Jersey are high. There is a misnomer that Jersey is a very expensive place to do business, it is not. Business rates are a fraction of what they are in the U.K. Rent roll on a retail shop in Oxford or Cambridge or London is 50 per cent business rates on top of already high rents. National Insurance is lower. Some employment costs are lower. The cost of doing business in Jersey is not this broad brush justification for higher prices. Footwear and clothing, now that is interesting. That market seems to be working. Well done to all of those independent clothing and footwear retailers that are giving Jersey consumers what they want, when they want it and they are doing well. But there is a constant chirp.

The Connétable of St. Brelade:

I agree, local business has to compete. I do not think there is any issue around that has got to compete with the internet. But you used the phrase 3 times now, “consumer welfare”. Welfare means you look after people. That is how I look at it. When you buy goods off the internet, I believe there sometimes is a gap in that welfare; there is a gap in the way people are looked after. It is their own choice. They buy it, they may buy a camera, they get a problem with it, they have to send it back. They have nobody to go and see, nobody to go and talk to. What local business can compete on is they can compete on a service and provide a service within that market. Within that consumer welfare, us, as politicians, should be protecting the public, even from themselves to some degree. I think there is an element of that, that we should be making sure that they are getting service and the product. I think there is a gap somewhere where we should be helping to some degree. We should be helping local business to exploit that part of the market. I agree, maybe it is not by producing *de minimis* levels or mucking around with G.S.T. and that sort of thing. But there is a gap there. I think there is something we can do to help local business to ensure that they can flourish by offering that service and building up their market in that way.

The Minister for Treasury and Resources:

Removing restrictive practices, as uncomfortable as it is, one of the reasons why consumers shop on the internet, and the reason why I do it, is because of time. I do not have the time, and I know lots of busy mums, one very close to me, does not have the time to be going into St. Helier and parking up and buying all her household goods and kids’ stuff. Two clicks on the internet and you have got it and it is delivered the next day. As controversial as this is, why have we still got restrictive Sunday trading, which actually is inexplicable in terms of its application?

The Connétable of St. Brelade:

There is a bigger society issue here as well. What type of communities do we want to live in? Do we want to get to the point where there is no corner shop, there is no community anymore because we are all going to shop on the internet or we are all going to shop at a big huge store. I do not want to see that. I am not saying we need to protect certain businesses, but there has to be a balance and if the balance has to come by making some difficult decisions around G.S.T. and how we possibly get it back off the big suppliers like Amazon, then maybe we need to be a bit braver on that.

The Minister for Treasury and Resources:

Well, yes, but ...

The Connétable of St. Brelade:

You said we are heading in that direction.

The Minister for Treasury and Resources:

We are. And it is inevitable, I think that there will be a level playing field on tax as technology allows one to collect things and digitally provide invoices and collect things. The collection of G.S.T. is become more and more easy because effectively it is all done by computers. I sent to Members an economist's article about the next industrial revolution. I think some people have gone off on one when I send this stuff around. The next wave of the technology revolution is happening. It is on the same scale as the industrial revolution, but it is going to be faster and it is going to be going to deeper areas of jobs and business. Our job as politicians is to make those markets work and not to stop change, but to embrace it. Ending restrictive practices, and Sunday trading ... I did this on purpose with your review. I went to Stratford Super Centre and Westfield malls, because malls are where you now shop on a Sunday ...

The Deputy of St. Martin:

Where exactly is Westfield?

The Minister for Treasury and Resources:

There are 2 of them. One in Shepherd's Bush and one next to the Olympic station. I have walked around this place and I thought: "Is this an example of a destructive non-family orientated society?" I saw mums and dads going and enjoying recreation and coming together and doing things on a Sunday, including eating, having a coffee and shopping.

The Deputy of St. Martin:

What time did that mall open, Minister, do you know?

The Minister for Treasury and Resources:

I think it is 11.30 a.m.

The Deputy of St. Martin:

All right.

The Minister for Treasury and Resources:

I was there just after lunch.

[12:45]

Now of course Sunday is a special day. We all need a rest. But to prescribe to the extent that we do I think is wrong. If retailing in St. Helier, if the St. Helier core is to thrive and prosper we need to throw away some of the rules. Planning is very important in this. It is clear to me that the retail

footprint is going to contract. The core retail footprint is going to contract. That is inevitable. The move from bricks to clicks will mean that you have less retail space. Planning, you need to have rules that fast track, almost perhaps do away with the rules of ensuring that you can convert non-core retail space into alternative uses. There is fantastic stuff in London being done with Boris Johnson on garages and other business start-up spaces. Where they have done away with the rules, and just allowed people, owners of buildings, to convert spaces into new uses, rather than the heavy government “we know best” approach.

The Connétable of St. Ouen:

Can I ask you 2 questions on it?

The Minister for Treasury and Resources:

Yes.

The Connétable of St. Ouen:

First of all, can I ask if you think planning is an hindrance in retail? Also the other thing is: if the recommendation to give a test period of 18 months for opening all the time, do you think if we did that it would be difficult then to go back and say: “Oh, it did not work”? Could we go back?

The Minister for Treasury and Resources:

Connétable, I absolutely respect the strongly held faith views about Sunday. Personally I think that it is inevitable that Sunday trading is going to ... I think it is King Canute stuff. I think Sunday trading is coming, but I think it needs to be limited in terms of hours to reflect society. Society may change in 20 years' time again, but society at the moment I think wants to shop on Sundays. Why can I not go and buy bedding plants from a garden centre on a Sunday or go and buy some gardening gloves? It is bonkers.

The Deputy of St. Martin:

Okay.

The Connétable of St. Ouen:

Can we move on to the planning thing?

The Minister for Treasury and Resources:

The planning thing. I think the biggest thing with planning, which worries me, is the employment land requirement. Is that where land is designated to be employment land, which was policy that was crafted at a time when we did not have enough warehousing space but it has now been expanded into all employment land. I think it is causing a blockage in the transition of businesses

and land owners who want to do something different with their space. We want houses. Let us facilitate fast tracking of unused and no longer viable retail space, and by the way, it was residential before a lot of it. So let us allow it to come back.

The Deputy of St. Martin:

All right. I am going to change the subject, Minister, because time is ticking on. There are 2 things I wanted to talk about. We can go back to technology on this one as well, you are aware that we have been to Jersey Post and we have had some discussions with Kevin Keen and we have looked around the warehouse and we suggested to him that we would like to see post offices in the Central Market, we brought that up this morning. It was suggested to us that potentially there would be much ... The Post Office need more people to go into post offices, because they are not viable. Potentially banking in post offices would be a way to get people to go back into them. But of course, while that might be a marvellous idea, is technology going to do away with that because I mean, let us face it, how many of us go into a bank anymore?

The Minister for Treasury and Resources:

Fewer and fewer and as ...

The Deputy of St. Martin:

I suppose the question for you as Minister for Treasury and Resources is ...

The Minister for Treasury and Resources:

The post office, is there an alternative?

The Deputy of St. Martin:

... is a Jersey bank account in a Jersey post office a viable thing and is it done ...

The Minister for Treasury and Resources:

A very good question and another simple, yet complex issue but one in which we are dealing with. I am quite clear that the availability of banking services to ordinary and particularly vulnerable societal groups is a problem. That is why you have credit unions. The Community Savings Bank, at the moment, is providing a very good but very limited service. A wider credit union, which is a not-for-profit and assists people in having a ... if you do not have a Visa card you cannot be a functioning member of society. Some people with lots of credit issues do not have the ability of getting a Visa card. Credit unions help people, particularly vulnerable people and people who find it difficult to manage money for all sorts of different reasons. Credit unions have a role to play. We are discussing with Jersey Post, and we have a report in the Treasury on a credit union

widening and potentially a partner for that could be Jersey Post. That could give exciting opportunities for alternative uses, additional uses, for those counters.

The Deputy of St. Martin:

Okay. The other subject I wanted to make sure we spoke about this morning, I know it is not a big issue for the Treasury, is visitor refund scheme. Something which is applied at the airport, it is suggested in your response that you are looking to push it out into ports, but the bit that interested us the most was extending this to include aggregate purchases within a retail outlet. Could you expand on that a bit? Is this something we should be promoting more to our tourists? Say: "Come into this shop and spend £300 and we will get all the tax back for you and you do not have to pay G.S.T." Maybe your Director could answer that.

The Minister for Treasury and Resources:

Yes, I am very pleased ...

The Deputy of St. Martin:

How quickly can we push the button on that one? Is it labour intensive from the Treasury's point of view? Has it been successful? Well, obviously when I say "successful" it is difficult because it is tax that you are not receiving. I have caught you a bit on the hop on this one.

The Minister for Treasury and Resources:

But there is an example where we can help retailers. We have got some ... I think the visitor refund scheme has helped a number of High Street retailers have opportunities of serving visitors and ...

The Deputy of St. Martin:

So it is available on the High Street now, is it?

The Minister for Treasury and Resources:

Yes, but it is mainly focused on ... but at the moment it is a single purchase. So I think representations from probably the bigger retailers, the Voisins, et cetera, would be that you can aggregate purchases. Provided that it cannot be abused, providing that it is well functioning and the costs of running these scheme do not outweigh the downside, then, yes, happy to do it. In fact I saw a retailer on the plane this morning that was saying: "Visitor scheme, excellent. Has been very helpful to our business" which is great news.

The Deputy of St. Martin:

Good, well I imagine that those large businesses must be publicising that to their people before they get in the shop. I have not seen it.

The Minister for Treasury and Resources:

Yes, I think that is ... for as long as we have got an ability ... obviously those consumers need to regularise their affairs in the place at which they arrive, that is important. We cannot be seen to be allowing abuse practices. There is always another side to that and while it is in the interests of the airport retailers to sell lots of cigarettes to people, it is rather uncomfortable that we have a situation where individuals then import huge amounts of cigarettes in the U.K. and circumnavigate or circumvent their obligations for importing cigarettes. So there are all sorts of issues there. But in principle, yes. That is a good example of giving retailers help in a difficult changed world. The initiative "Shopper Jersey" doctrine ... I have got the wrong brand but you know the one that Webreality is doing, and indeed the *J.E.P. (Jersey Evening Post)*. They have been doing an online store for a number of years. Fantastic. The more the better. The internet has a 2-way effect. It has a vociferousness of competition but it also opens up your retailing space to a much bigger market as well.

The Connétable of St. Brelade:

On the back of your submission you have got other potential business friendly administration initiatives. One of the ones was ... I do not know what you mean by: "Combine 2 sets of tax legislation to a single tax code yet to be agreed."

The Minister for Treasury and Resources:

I am just looking at the page you are on.

The Connétable of St. Brelade:

It is the last page. It is on the back page. I just want you to just explain what that is.

The Minister for Treasury and Resources:

Sorry, which one is that?

The Connétable of St. Brelade:

Other potential business friendly administration initiatives. About the fifth, sixth line down.

The Deputy of St. Martin:

Below the third bullet point.

The Minister for Treasury and Resources:

Right, yes.

Deputy Director Tax Policy:

I think that is an aspiration goal in the long term to bring the income tax law and the G.S.T. Law together, such that when we are looking at the administration imposed on business that they all work to the same rules but I would say that is aspirational in the longer term, a long-term goal.

The Minister for Treasury and Resources:

Yes, and for example reducing burden on business in all of the interactions that they have with the States. So, for example, there are lots of unintended consequences of this as well but effectively while remaining absolutely a separate Social Security fund, putting the collection arrangements on a similar basis to income tax. That would be efficient. I was very encouraged 2 days ago, the Assistant Minister was with me, to hear of the progress on the e-Government initiatives which are going to take an accelerated pace as a result of work that is being done. We, as a government, need to be able to interact with Islanders, it is not only consumers that are buying stuff on these things ... as the States we need allow Islanders to fulfil their administrative requirements and obligations more easily, more quickly 24 hours a day on user friendly apps and that goes for businesses as well. So while we should, in my view, be as open to competition, as embracing to as change as possible, it is difficult for retailers and we should make retailers and small businesses' lives as easy as we possibly can and embrace the same technology. That is what the e-Government initiative is doing. It is now moving fast. There are some exciting initiatives. We have got our own Treasury team working on tax stuff online, but across government you need to embrace technology and make it easier to do things.

The Deputy of St. Martin:

Getting back to Treasury matters, Minister, how easy would it be to reduce the *de minimis* level if you decided to do that? Or if the decision was taken to reduce it, how simple is it?

The Minister for Treasury and Resources:

It is easy for us to do it. It is easy administratively; it is just the consequences of it.

Assistant Minister for Treasury and Resources:

It is just one number of the regulations.

The Minister for Treasury and Resources:

It is one number. It is easy to do it, it is probably one of the easiest legal things we can do, but it is the consequences of it that we need to carefully address.

The Deputy of St. Martin:

We do, and I appreciate that, but if you take the internet buying and the competition to its extreme, we end up surely with a St. Helier full of coffee shops and tattoo parlours.

The Minister for Treasury and Resources:

I do not think that is the reality. I think that people ... you are seeing it interestingly in the clothing and footwear areas. Where a product needs to be felt, put on, tested yourself, I think we are more likely to see those retailers, providing they are offering what the customers want, in that fashion or price, service, all those issues the Connétable was raising before. Fashion, footwear, consumer retailing will exist. If it is a white product, white goods, there it is going to be more and more online. *Which?* magazine, if I want to buy a toaster or a kettle, I look at *Which?* to tell me which one to buy and I order it online because it is easy. But where there is a fashion element, clothing, footwear, you are going to see St. Helier retail environment in 75 years' time, it is inevitable.

The Deputy of St. Martin:

But is everything else heading for the end of the train tracks, Minister? When we look ... it is only really clothing and footwear which fall below the line. Recreation, culture is exactly on par with the U.K., transport is a little bit up. It is our miscellaneous goods, our food and non-alcoholic drinks that are very expensive locally, household to household ...

The Minister for Treasury and Resources:

People will also have ... we raised the issue of the corner shop. We use "corner shop" ...

The Connétable of St. Brelade:

Well, community shop.

The Minister for Treasury and Resources:

Yes, that is probably a better word, is it not? I do not criticise it, it is used colloquially. The corner shop and independent retailers somehow think that they exist, a lot of them. Well, where do they exist in Jersey today? Who are they?

The Deputy of St. Martin:

They are part of other corner shops, there is a chain of corner shops.

The Minister for Treasury and Resources:

Yes, absolutely. Mr. Tony O'Neill, fantastic retailer, reinvented retailing in Jersey to his great credit. The ownership of that business has changed. Ownerships will change, businesses that

are owned by venture capital funds and private equity, they will be sold on again. It is uncomfortable for us.

The Deputy of St. Martin:

Is there a future for the locally owned S.M.E.s (Small and Medium Enterprises) in Jersey?

The Minister for Treasury and Resources:

Absolutely.

The Deputy of St. Martin:

Are they not the ones that will really struggle with the competition coming from these franchise and multi-global brands?

[13:00]

The Minister for Treasury and Resources:

Yes, but they are the fast-moving nimble ones. I am not a retail expert but Mary Portas has done a lot of work on the vibrancy of retail towns. My recent trip to New Jersey, New Jersey has 523 municipalities with high streets that are dying in the U.S. (United States). Pop-up shops, flexible planning rules ... I heard the same thing, we are getting Genuine Jersey products on the pop-up shop that is going around New Jersey celebrating 350 years of the founding of the state. There will always be opportunities for fast-moving, nimble, small retailers that are offering what customers want. I do not want to name names but we all know the ones that embrace change. The world of retailing of intellectual products, in other words things that can be moved on the internet, and records and C.D.s (compact discs) are the example, that I doubt you will have a miniscule amount of retailers involving ... you will not see a music retailer on the High Street, it is going to go. Mobile phones: the physical thing will be ... but the decision to which mobile phone operator you use, that is going to be digitalised.

The Connétable of St. Brelade:

You mentioned it before about the amount of goods Amazon are sending into Australia, when will we get to a stage where internationally people will look at internet sales as being a major tax loophole and they go: "Enough is enough, we are going to start clamping down on these companies"?

The Minister for Treasury and Resources:

I would put it the other way around. I would not say clamping down ...

The Connétable of St. Brelade:

Or asking them to pay the tax that ...

The Minister for Treasury and Resources:

We have to set the law and if we could get G.S.T. on Amazon we would but the guiding principle is what I said before. You have to have one rule for everybody and in making a decision for Amazon or based purely on wanting Amazon to get the G.S.T. you have the unintended effect of crowding out potentially all these other retailers. As my Assistant Minister was right to point out to me, and remind me, it is not companies that pay tax, it is consumers that pay tax. People pay tax. This whole issue about company tax ...

The Connétable of St. Brelade:

Okay, individuals but when will it be seen as an international issue where the fact that individuals are not paying that tax and countries go: "No, we need to level this ..." it is not levelling the playing field but making sure people pay the correct level of tax on goods they buy. It is not an international issue at the moment.

The Minister for Treasury and Resources:

It is. I think it is.

The Connétable of St. Brelade:

Not to the point it is being acted on, but it is being talked about.

The Minister for Treasury and Resources:

I think if you look at the arguments, I think if you look at other small territories, micro states that have imported arrangements, I think you would ... in Europe, because of the single market it is not an issue. So Luxembourg ... but then there are a whole lot of other issues about Luxembourg and the fact that they have lower V.A.T. Why is iTunes based in Luxembourg? There are arguments about e-books. There are all sorts of anomalies. The *J.E.P.* tell me that they are the only intellectual media that is taxed. Most people are buying e-newspapers now, or lots more people are buying e-newspapers. E-newspapers are taxed in the U.K. whereas physical newspapers are not. These artificial barriers ... I do not have answers for you but holding back the tide of change is never ... King Canute, it did not work then and it does not work for us now. As uncomfortable as it is to tell people.

The Deputy of St. Martin:

I think on that note, Minister, we will end, unless you have any particular issues you want to speak about?

The Minister for Treasury and Resources:

Have you had the Town Centre Manager before you?

The Deputy of St. Martin:

Yes.

The Minister for Treasury and Resources:

Okay. That is a good initiative. I funded it when I was at E.D. (Economic Development) with the Parish of St. Helier. Enabling and having ... as much as it could be interpreted that I am being tough on businesses I think our primary duty is for consumers. But we have a role to work and help with retailers and the Town Centre Manager and working on making town work, parking, all that area is absolutely vital. We have to make it as easy as possible for people to choose to come to St. Helier. Getting the right people in those positions is absolutely important. Fast decision making on planning, getting Mary Portas-style advice on how to be securing retail core vibrancy. It is not just about physical retailing of goods that we talk about, actually high streets are becoming places where ... I do not think there was a coffee shop on King or Queen Street 10 years ago, now there are 3, 4? Retailing is changing, food and beverage outlets on the high street is a huge opportunity for us, and that is one thing we should work to make sure works. Pavement coffee drinking, all that stuff. Wider pavements, making St. Helier a nice place, a safe place to go. I do not think we should be too down on ourselves. What we have done in T.T.S. (Transport and Technical Services) investment in St. Helier in widening pavements may seem facile and not very important but I am proud every time I walk through Broad Street. Every day of the week I would do Broad Street again. More of it, more urban investment and urban town regeneration. We put the infrastructure in and businesses will follow and people walking with their feet will follow.

The Connétable of St. Brelade:

I agree.

The Minister for Treasury and Resources:

Sorry, I do not ...

The Deputy of St. Martin:

Thank you, Minister, no, it has been a long morning and we will finish on that up note, which is good. Thank you very much.

[13:07]