

## Corporate Services Scrutiny Panel

Minutes of 9th meeting held on Friday 24th March 2006

Present                    Deputy P J D Ryan, Chairman  
                                   Senator J L Perchard  
                                   Connétable J L S Gallichan  
                                   Deputy J Gallichan

Apologies                Connétable D J Murphy  
 In attendance         Mr M Haden, Scrutiny Officer  
                                   Miss S Power, Scrutiny Officer

Ref Back	Agenda matter	Action
<p>1. Item 5 23.03.06</p>	<p><b>Age of consent review</b></p> <p>The Panel delegated to Senator J. Perchard and Deputy J. Gallichan agreement of the amendments to the text of the report following its previous meeting on 23rd March 2006. The text having reviewed by this group, the report was approved for presentation to the States on 28th March 2006.</p>	
<p>2 Item 3 16.03.06</p>	<p><b>Fiscal Strategy - GST implementation</b></p> <p>The Panel received the Treasury and Resources Minister, the Comptroller of Income Tax, the Departmental Scrutiny Liaison officer and a representative of Crown Agents, Mr. G. Conlon, for a confidential presentation on the draft GST law which was to be published for public consultation on 28th March 2006.</p> <p>The Panel noted that a separate consultation document on the treatment of financial services would be issued at a later date. It was intended to publish consultation documents on zero/ten and look through in April and 20% means 20% before the summer recess.</p> <p>The Panel was informed that the Household Expenditure Survey, to be published by the Statistics Unit in June, would be used to revalidate the figures for the expected yield from the proposed tax.</p> <p>The Panel noted that the Crown Agents research into the question of excluding everyday items, such as basic foodstuffs, children's clothes, medical supplies and books and newspapers, had indicated that it was the highest income households who would benefit most from the listed exclusions. The Panel requested the evidence to support this statement.</p> <p>The Panel was informed that the issue of the provision of residential accommodation would be clarified in the published consultation document.</p> <p>The Panel discussed with the Minister and the Comptroller of Income Tax the question of guaranteeing the GST rate at 3% for three years. The Comptroller maintained that the business community would prefer to see the rate included in the primary law and that it would not prove difficult to amend the rate if necessary. The Minister asserted that it would not be feasible to amend the rate for at least three years and that it was important for the business community to have a period of certainty.</p> <p>The Panel discussed with the Minister a number of technical issues which were open to change following the public consultation period,</p>	

including

- allowing businesses to account for any tax only after they have received payment from their customers rather than at the point of invoice
- the treatment of imports
- the concept of belonging (Article 4)
- the timing of returns

The Panel enquired whether any research had been conducted into the merits of joining the EU VAT system as an alternative to the GST proposals. The Minister responded that this research would not be beneficial in his view as it would mean going back over the decision taken last year by the states to adopt the Fiscal Strategy (P. 44/2005). It remained the intention of the Minister to introduce a simple, broad based tax with the minimum number of exclusions based on modern systems such as those in place in New Zealand and Singapore.

The Panel was informed that a review team had been established by the Treasury to examine the results of the public consultation on the draft law. These results would be published. The Minister suggested that it was for the Panel to choose whether to be involved in the consultation exercise itself or to stand back from the exercise so that it could review the outcome objectively.

The Panel thanked the delegation before they withdrew from the meeting

Signed

Date

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Chairman, Corporate Services Panel

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