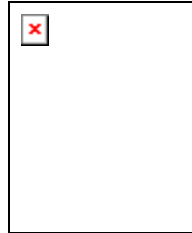


STATES OF JERSEY



GOODS AND SERVICES TAX: EXEMPTION OR ZERO-RATING FOR FOODSTUFFS AND DOMESTIC ENERGY (P.28/2009) – AMENDMENT (P.28/2009 Amd.) – COMMENTS

**Presented to the States on 31st March 2009
by the Minister for Treasury and Resources**

STATES GREFFE

COMMENTS

The Deputy of St. Helier No. 3 has lodged an amendment to P.28/2009 which seeks to add a third category of supplies, school catering, to those already listed.

There is a direct link between this and foodstuffs already proposed. The existing proposition seeks exclusion for foodstuffs using U.K. VAT liability treatment which allows zero-rating for food “except a supply in the course of catering”. There are further refinements under the U.K. Law as to what is excluded from zero-rating by listing under “Excepted Items” and what can be included under zero-rating by listing under “Items overriding the exceptions”. This in itself gives some idea of the level of complications we have been desperately trying to avoid in the Jersey GST system.

Under U.K. VAT law the liability treatment of school meals/catering can be different depending on the contractual arrangements in place. The main options are as follows –

- If school meals are supplied under the same commercial arrangements currently used in Jersey, then they are regarded as taxable supplies (currently subject to 15%);
- If the meals are supplied by a commercial contractor directly to the school/local authority for onward supply, then the supply by the contractor will also be taxable (currently subject to 15%);
- If the meals are provided directly by an educational institution providing exempt education to its own pupils/students, then the supply of catering they make can also be exempt; and
- If the supply of education is non-business, as in the case of most local authority schools, then the supply of catering will also be non-business, provided it is made at, or below, cost.

Therefore the treatment we currently provide under Jersey GST, although much simpler, is not that dissimilar to U.K. VAT treatment. If the contractual arrangements/ relationships described in the proposition amendment were in the U.K., they would be taxable under VAT.

I have submitted a comprehensive comments paper on the main proposition P.28/2009, and under Section 11 “Other factors that need to be considered” refer to what is known as exclusion creep. This amendment is a clear example of exclusion creep – if we approve the zero-rating of school meals under GST – then what next? We have consistently taken the view that the most cost-effective option in Jersey is a simple broad-based system of GST which enables us to have a very low rate and targeted support for the less well-off.

The Minister for Treasury and Resources urges States members to reject the amendment.