

# STATES OF JERSEY



## **EXPENDITURE PROPOSALS FOR 2012 AND 2013 AND DRAFT BUDGET STATEMENT 2011 (P.157/2010): THIRD AMENDMENT**

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Lodged au Greffe on 17th November 2010  
by Deputy A.K.F. Green of St. Helier

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**STATES GREFFE**



EXPENDITURE PROPOSALS FOR 2012 AND 2013 AND DRAFT BUDGET  
STATEMENT 2011 (P.157/2010): THIRD AMENDMENT

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**PAGE 2, PARAGRAPH (b) –**

After the words “as set out in the Budget Statement” insert the words –

“except that the estimate of total taxation revenue in 2011 shall be decreased by £4.8 million by introducing exemptions or zero-rating for Goods and Services Tax from 1st June 2011 for the following items –

- (i) foodstuffs in line with United Kingdom Value Added Tax arrangements; and
- (ii) domestic energy;”,

and the element of the Food Costs (Offset of Average GST) Bonus and of Income Support relating to the items being exempted or zero-rated shall be adjusted accordingly.

DEPUTY A.K.F. GREEN OF ST. HELIER

## REPORT

I have always held the opinion that any tax which taxes life's essentials is immoral, unfair and falls disproportionately on the less well-off. In bringing this amendment to exempt food and domestic energy from GST to the States, I seek to right this wrong. If accepted by the Assembly, there will of course be no need to increase those elements of Low Income Support or GST bonuses.

The argument that has always been used by successive Ministers for Treasury and Resources in regard to GST is "keep it simple", "it's only 3%". I sign up to keeping things simple, but not to an inequity; it was wrong to tax these items at 3% and to consider taxing food and heating at 5% is indefensible.

It will be claimed that "we compensate those on Low Income Support". This shows a complete lack of understanding of the strain that low-income households are under in this recession. In that, I include those just above the thresholds and 'Middle Jersey'. These same people are being hit by 20 means 20, in an environment where both parents have to go out to work, these are the same people who pay their dues, pay huge amounts of their income for accommodation either in rents or mortgages, people who work hard, suffer increased price-rises in food and fuel, increased States charges "under 'user pays'." Pensioners trying to live on a fixed income with minimal bank interest being paid. These are the people that are being hit time and time again.

Of course the recession is not only hitting the lower paid, it is affecting everyone. Essential food items such as potatoes increased by 19% and vegetables by 11% in the last year and energy by 5.7%, but the burden falls disproportionately on those of lower income. Does this Assembly really want to be responsible for making life even more difficult for them by increasing our tax on these items – essential items – do we really want to do this to the bedrock of our community – our workers and our pensioners? Is it not right and fair that government assists and supports its people when times are hard, instead of making things yet harder?

It has always been my opinion that a government, even when having to take difficult decisions, should always try to take its people with it. Taxing already expensive loaves of bread, litres of milk, fresh fruit and vegetables is not right or fair. It is the easy target and unacceptable.

The introduction of a Goods and Services Tax on 6th May 2008 means that the Minister for Treasury and Resources has a quick and easy means of raising revenue. 1% can raise £15 million at a stroke.

Because of this ease, the rate is going to continue to rise in this quick and easy fashion: at what point and at what percentage will we stop taxing people to eat and keep warm in their own homes? 10%? 15%? 20%? Taxing food and heating is unreasonable, unfair and indefensible.

The people of Jersey are being asked to pay tax on their food and domestic energy when we still have other mechanisms that we are still waiting for Treasury to bring forward. But it seems there is little urgency to look at other measures because we have GST and we can raise, as is the case in this Budget, £30 million at a stroke.

Other measures like –

- Taxing foreign-owned companies which trade side by side our local companies and pay nothing in tax. So we are now seeing long-standing Jersey companies being sold off to foreign investors to take full advantage of this situation. Treasury have been promising to bring forward an equivalent of the Blampied proposals for years, but they are still not forthcoming. They don't need to be, when the ordinary person is being asked to make up the deficit with GST.
- In 2008 the States rezoned 60 vergées of good agricultural land, notwithstanding the fact that a land value tax had been suggested as a means of not only reducing the huge overnight profit made by developers/owners, without one single penny being paid in tax, but also as a means of reducing the speculation on green fields been turned over to building sites.

I am no tax expert but these are other means of raising revenue, but fundamental to any system is that it is equitable. Taxing life's essentials is not! Particularly when taxation alternatives exist. I am sure there are other potential sources, yet the Minister for Treasury and Resources takes the easy path, taxing the pensioner and less well-off before the foreign-owned company. It is this which I and many other people find unreasonable and unacceptable.

### **Complexities**

A Scrutiny Report some years ago stated that the complexities of introducing exemptions had been grossly over-played.

The simplest solution, rather than amending Low Income Support payments and GST bonuses every time the rate of GST is raised, is surely not to charge the tax on essential items in the first place.

It is plain that if we exempt food – by far the simplest and least bureaucratic method would be to use the definitions already established in the United Kingdom VAT system. Whilst it will be claimed that VAT is an unusual and complex system, the fact remains that the definitions have been established and refined in the UK.

Shops, even the little corner-shops, sell goods with GST added, while also selling items that don't carry the tax, such as paycards. They manage. The system doesn't collapse because paycards are zero-rated.

It is also plain that food retailers in Jersey could use, with minimal difficulty, the business systems and coding which handle VAT food exemptions, as these are already established in till and stock systems.

The major retailer in the Channel Islands estimated that if the UK VAT system was used, the system of exemptions could be implemented in 4–6 weeks.

It is also worth noting that the bureaucracy is with the retailer, not the Treasury. The Treasury merely banks the cheque for items that carry GST.

For those members who, like the Minister for Treasury and Resources, continue to use the argument that keeping this tax simple and across the board is best, I ask, aside from the issue of equity, which is fundamental to me, do they realise that the current system of compensating people for GST by Income Support and Bonuses is not that simple? There is a labour cost of processing claims. Is it right that we as a Society

require more and more people to make demeaning claims to get the tax back? Some people, many of them pensioners, simply won't embark on this procedure.

I would suggest that, rather than requiring people to fill in forms disclosing financial information, to then be processed and having to pay money back; by far the simpler and less bureaucratic way is not to charge the tax in the first place.

### **Financial and manpower statement**

The loss of GST income as a result of this amendment is £4.8 million as shown. There will, however, be a saving in the expenditure of the Social Security Department of £600,000 from the reduction in the Food Costs (Offset of Average GST) Bonus and Income Support. The net overall loss for the States as a result of the amendment is therefore £4.2 million.

The Treasury advise me that that there are manpower implications, and I quote –

“a reasonable approximation based on U.K. experience is that 3 additional staff will be required; and the extra payroll, social security, IT, accommodation and other costs would be approximately £200,000 to £300,000 a year.”.

Clearly if GST bonus needs no longer to be calculated by officers at Social Security, there must be compensating savings from that Department, in terms of staff, accommodation, etc.; and does it really take 3 Treasury staff to lift a list from the UK, send it to the retailers, and receive the cheques? Cheques they already receive!