

# STATES OF JERSEY



## **DRAFT GOODS AND SERVICES TAX (JERSEY) LAW 2007 (APPOINTED DAY) (AMENDMENT) ACT 200- (P.41/2008): AMENDMENT (P.41/2008 Amd.) – COMMENTS**

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**Presented to the States on 31st March 2008  
by the Minister for Treasury and Resources**

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**STATES GREFFE**

## COMMENTS

Senator Norman has been consistent in his opposition to the introduction of a Goods and Services Tax, and this amendment could be seen as simply a distracting tactic to create delay and uncertainty. At this time of major uncertainty in world economic conditions, I suggest that it is unwelcome, to say the least, to add to the financial and political uncertainty already facing the Island. I say this, not simply in respect of the revenue foregone, but more so of the wider uncertainty created in the marketplace both locally and for our customers globally who will see Jersey's government as vacillating and unable to adhere to its decisions.

The Senator suggests that "the principle of delaying the introduction of the Goods and Services Tax has now been established by the Treasury and Resources Minister". I suggest to Members that this is a misleading distortion. What I have proposed in P.41/2008, as Minister, is that the start date for GST be changed from the first DAY in May 2008 to the first WEEKEND in May 2008. I have proposed this, not to delay the introduction of GST, but to ensure that it is introduced with the minimum of disruption to both consumers and retailers. The Senator seems to agree that a weekend introduction is desirable, since his Amendment maintains the principle, albeit 12 months later.

The primary reason cited by the Senator for the delay in introduction of GST is the improved financial forecast recently presented to States Members. The forecast has indeed improved, but I have to remind Members that it is just that: a forecast. Any forecast is subject to a range of uncertainty, and the only statement I can make with confidence is that the forecast will change from year to year, and even during the year; perhaps up, perhaps down, but the actual result will not be the same as the current forecast. A forecast is only as good as the current information, and indeed, even since the recent forecast was published, we have seen the collapse of one of America's largest financial institutions, and a near calamity in respect of one of Britain's oldest banks due to market speculation.

However, where I really have to take issue with the Senator is over his choice of figures. He is certainly correct that the out-turn shown in the March 2008 figures shows an improvement on those issued last July in the Annual Business Plan, from £14 million to £176 million. However, what he conspicuously fails to present is that at the time the States debated and agreed the proposition that GST should be implemented from May 2008, that decision was influenced not by the July Business Plan forecasts, but by those of the 2008 Budget published in October 2007.

As many Members will recall, these had already indicated a substantial improvement over the previous forecast, due in no small measure to an unexpectedly large surge in economic growth, a surge which will almost inevitably not recur every year; indeed it is more likely that sooner or later we shall see a downturn in growth and a downturn in our forecasts.

As I have said, the vote in November 2007 to implement GST in May 2008 was based on the knowledge of the improved financial forecasts then published, showing at that time a predicted surplus over the same 6 year period of £145 million. Aware of this improvement, Members still decided, quite rightly, that GST should be implemented from May 2008. The latest forecast is almost exactly the same as last November's, so no new information has been produced which could cause the States to change its mind about the commencement date for GST.

The second reason cited by the Senator is that the new House might decide to look at other ways of raising the necessary revenue. The Fiscal Strategy has been researched and developed over a period of 10 years and the States has debated GST, and its alternatives, on at least 8 occasions. Each time the States has considered the alternatives it has come to the conclusion that GST is the 'least worst' option. No-one can seriously believe, at this stage, that there is some better, painless alternative.

Whether Members wish to approve a minor change from 1st May 2008 to 6th May 2008 is a matter of choice. What they should not do is to listen to siren voices enticing them into further delay and uncertainty.