STATES OF JERSEY

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

Lodged au Greffe on 20th March 2008
by Senator L. Norman

STATES GREFFE

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1 PAGE 5, ARTICLE 1 –

For the words “6th May 2008” substitute the words “5th May 2009”.

SENATOR L. NORMAN

REPORT

The principle of delaying the introduction of the Goods and Services Tax has now been established by the Minister for Treasury and Resources. The States are now asked to decide how long that delay should be.

There are two reasons I seek a 12 month delay. Firstly the financial position of the States is measurably and significantly better than was forecast when the Connétable of St. Helier's proposition (P.125/2007) was lodged on 18th September 2007.

At that time the financial forecast was as described in table 3.1 on page 12 of the Annual Business Plan 2008. For ease of reference that table is reproduced herewith –

Table 3.1 – Financial Forecast from 2008 Business Plan (Sept 07)

Revised Estimate 2007		<------ Forecasts				------>
		2008	2009	2010	2011	2012
£m		£m	£m	£m	£m	£m
	States Income					
420	Income Tax	435	455	470	490	510
-	0/10% Corporate Tax Structure	(3)	(3)	(67)	(72)	(77)
-	Goods and Services Tax	30	45	46	47	48
50	Impôts Duty	51	51	51	51	51
25	Stamp Duty	26	27	27	28	29
-	Tax/Stamp Duty on Share Transfer	1	1	1	1	1
33	Other Income	32	31	27	24	23
10	Island Rate	10	11	11	11	11
538	**States Income**	582	618	566	580	596
	States Expenditure					
482	Net Revenue Expenditure	505	525	545	565	583
42	Net Capital Expenditure Allocation	40	38	39	39	40
524	**Total States Net Expenditure**	545	563	584	604	623
14	**Forecast Surplus/(Deficit) for the year**	**37**	**55**	**(18)**	**(24)**	**(27)**
	One-off expenditure					
	Income Support - Transitional relief	10	6	4	2	1
14	**Revised Forecast Surplus/(Deficit)**	**27**	**49**	**(22)**	**(26)**	**(28)**
(10)	Transfer to Strategic Reserve	-	-	-	-	-

From this it can be seen that at the time the Minister for Treasury and Resources was anticipating a total surplus of £14 million for the 6 financial years from 2007 to 2012.

On March 7 this year the Minister for Treasury and Resources presented to States Members a progress report on the 2009 Business Plan in which was included the following revised financial forecast –

Financial Forecast March 2008

Actual 2007	Probable 2008		2009	2010	2011	2012	2013
			<----------------------------- Forecasts				------------------------------->
£m	£m		£m	£m	£m	£m	£m
		States Income					
430	460	Income Tax	475	490	510	530	550
-	-	0/10% Corporate Tax Structure	(9)	(77)	(82)	(87)	(96)
-	30	Goods and Services Tax	45	46	47	48	50
55	53	Impôts Duty	54	54	54	54	54
29	30	Stamp Duty	31	32	33	34	34
-	1	Tax/Stamp Duty on Share Transfer	1	1	1	1	1
38	39	Other Income	37	33	31	29	28
10	10	Island Rate	10	11	11	11	12
562	623	**States Income**	644	590	605	620	633
		States Expenditure					
480	508	Net Revenue Expenditure	525	546	565	583	601
42	40	Net Capital Expenditure Allocation	38	39	39	40	40
522	548	**Total States Net Expenditure**	563	585	604	623	641
40	**75**	**Forecast Surplus/(Deficit) for the year**	**81**	**5**	**1**	**(3)**	**(8)**
		One-off expenditure					
-	10	Income Support - Transitional relief	6	4	2	1	-
40	**65**	**Revised Forecast Surplus/(Deficit)**	**75**	**1**	**(1)**	**(4)**	**(8)**

The 6 financial years now produce a surplus of £176 million – a 1157% improvement and £162 million more than was anticipated when the 2008 Business Plan was presented and approved. This equates to 3½ years of GST!

My amendment will reduce the anticipated surplus to £131 million over the same timescale, still an increase of £117 million (or 835%) over the total anticipated at this time last year.

In view of this I consider it to be almost obscene to impose upon the consumers of Jersey a new and unfair tax when it is manifestly not necessary at this time. This is particularly true when taking into consideration the current global financial uncertainty from which Jersey is not immune.

It is clear that if the tax and spend policies of the current Council of Ministers are to be pursued, additional taxation will be required in due course. Goods and Services Tax is the declared favourite option of the current regime.

And this brings me to the second reason for seeking a 12 month delay in the imposition of this tax. In a few months the elections for members of the States takes place and, in my view, it is likely, even probable, that after those elections a majority in this Chamber will be opposed to GST and would prefer to introduce more imaginative measures to "balance the books".

If this occurs, it will be much more efficient simply not to introduce the tax than to dismantle the apparatus which will be in place if it is comes into force prematurely this May. On the other hand, if the current regime remains in the majority, then the tax, if my amendment is successful, will simply come into effect on 5th May next year.

There is now absolutely no doubt that the additional revenue to be collected by GST is not required at this time and therefore the implementation should be delayed.

Financial and manpower implications

There will be a gross reduction in the forecast income of the States of £45 million and a temporary reduction in manpower as there will be no requirement for the administration of GST for an additional 12 months.