

# STATES OF JERSEY



## **INCOME SUPPORT, FOOD COSTS BONUS, INCOME TAX ALLOWANCES AND/OR EXEMPTIONS – INCREASES TO OFFSET GST ON FOODSTUFFS AND DOMESTIC ENERGY**

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**Lodged au Greffe on 2nd September 2008  
by Deputy J.A.N. Le Fondré of St. Lawrence**

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**STATES GREFFE**

## PROPOSITION

**THE STATES are asked to decide whether they are of opinion –**

- (a) to agree that appropriate increases, with a total cost equivalent to the tax revenue that would be lost to the States if foodstuffs and domestic energy were exempted or zero-rated for Goods and Services Tax in accordance with United Kingdom Value Added Tax arrangements, should be made to –
  - (i) income support;
  - (ii) the Food Costs (Offset of Average GST) Bonus (as defined under the Food Costs (Offset of Average GST) Bonus (Jersey) Regulations 2008), and
  - (iii) income tax allowances and/or exemptions, in such proportions to provide a benefit to as many members of the population as practicable, but to provide proportionately most benefit to the less well-off and vulnerable in society in Jersey;

and to request the Minister for Treasury and Resources and the Minister for Social Security to bring forward for approval the necessary legislation to give effect to the decision, together with a request under Article 11(8) of the Public Finances (Jersey) Law 2005 in respect of the additional expenditure required; and

- (b) to agree that the increases set out in paragraph (a) would only remain in place while GST is payable on foodstuffs or on domestic energy and that they would be adjusted proportionately in the event of any future decision by the States to zero-rate or exempt foodstuffs or domestic energy.

DEPUTY J.A.N. LE FONDRÉ OF ST. LAWRENCE

## **REPORT**

I strongly believe (like many other members) that steps should be taken to assist the public in dealing with the significant worldwide rise in food and fuel prices during recent months, and the consequential effect upon the basic cost of residing in Jersey. I do however disagree that the solution being proposed is the best way forward.

P.103/2008 (Goods and Services Tax: exemption or zero-rating for foodstuffs and domestic energy), presently argues that the better way to assist the Public is to exempt certain types of food and domestic fuel (as well as the various alternatives proposed under the amendments).

In absolute cash terms this will actually assist the better-off far more than the less well-off. However, it is also recognised that food and fuel do form a proportionately greater share of the expenditure of the poorer members of our Society.

Given that we all accept that further assistance will be welcomed by residents, I believe it is preferable for such assistance to be given by the mechanisms we already have in place, namely by income support, the GST rebate mechanism (which is designed to protect those who do not receive income support and who do not pay tax), and then through adjustments to personal tax allowances/exemption limits.

Not only will this avoid the definitional arguments that arise from using the UK VAT style of exemptions, it will also allow us to better target those in greatest need. In addition it will not add to the bureaucratic costs of dealing with the compliance issues of administering the new system (presently estimated by Treasury as being approximately £300,000 per annum).

It cannot be sensible to amend a system which at the time of writing will have been in place for less than 4 months. As well as all the other issues that will arise, it will add to the frustration of smaller retailers who are only just settling down after the introduction of GST, and will impose significant new complexities on running a small business in Jersey. This will just increase the likelihood of creating significant confusion over the application of yet more new rules with inevitable costs.

Members will appreciate that under Standing Orders it is not possible to bring an amendment that would effectively negate a proposition. I will lodge (by way of an addendum to this report) some further details regarding this proposition, but I wished to give members a choice in the best way of giving back tax revenue to members of the Public.

### **Financial and manpower implication**

There will be no change in the tax revenue proposed to be returned to the Public which will be in the order of £4.3 million for UK style food exemptions, and approximately £1.5 million for domestic energy. However my proposals will not add to the administration costs within the States, and accordingly will save approximately £300,000 per annum. In addition my proposals will not add a significant administration burden to any small business in the Island, which will be an improvement compared to the impact of P.103/2008 if it is approved.