

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES  
BY DEPUTY G.P. SOUTHERN OF ST. HELIER  
ANSWER TO BE TABLED ON TUESDAY 30th NOVEMBER 2010**

**Question**

What research, if any, has the Minister undertaken into the impact of a 2% increase in GST on the economy, particularly on the retail and hospitality sectors? If none, what evidence does he have that removing some £30 million from the economy in this way will not be harmful?

**Answer**

Detailed analysis of all the main tax options open to us to address the deficits we face was undertaken and published as part of the Fiscal Strategy Review. All the evidence points to GST being the least damaging tax option, not least because it minimises the impact on the competitiveness of the economy and our key businesses, including those in retail and hospitality. This was confirmed by the FPP who said in their interim report published in September 2011 that:

“Care should be taken to ensure that as far as possible revenue raising measures do not harm the longer-term competitiveness of the economy. With this in mind the Panel notes the merits of a broad-based consumption tax.”

The fact that the increase in GST is not proposed to impact until 1 June next year means it will only take £15m (about 0.4% of GVA) out of the economy in 2011 and at a time when we will still run a £55m deficit. . The overall States fiscal position will therefore still be supportive of the economy during what the Minister is advised will be the early stages of recovery.