

STATES OF JERSEY



GOVERNMENT PLAN 2020–2023 (P.71/2019): TENTH AMENDMENT

Lodged au Greffe on 11th November 2019
by Deputy R.J. Ward of St. Helier

STATES GREFFE

PAGE 2, PARAGRAPH (a) –

After the words “of the Law” insert the words –

“, except that –

- (a) in Summary Table 1 the total income from ‘Goods and Services Tax (GST)’ should be increased by the sum of £712,500, by increasing the rate of GST levied on luxury cars (defined as those with an import or retail value over £30,000) to 10%, with the additional income transferred to the Climate Emergency Fund; and
- (b) the Minister for Treasury and Resource is requested to publish an estimate of the effect on General Tax Revenue of decreasing the rate of GST levied on –
 - (i) solar panels,
 - (ii) electric space heating replacement of oil heating,
 - (iii) electric cars, motorbikes, scooters and vans,
 - (iv) electric bikes and cargo bikes,
 - (v) loft and cavity wall insulation,
 - (vi) double glazing, and
 - (vii) installation of ground source heating to 0%, so that the Assembly can consider the financial effects of zero-rating those items in the Government Plan 2021”.

DEPUTY R.J. WARD OF ST. HELIER

Note: After this amendment, the proposition would read as follows –

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

to receive the Government Plan 2020–2023 specified in Article 9(1) of the Public Finances (Jersey) Law 2019 (“the Law”) and specifically –

- (a) to approve the estimate of total States income to be paid into the Consolidated Fund in 2020 as set out in Appendix 2 – Summary Table 1 to the Report, which is inclusive of the proposed taxation and impôts duties changes outlined in the Government Plan, in line with Article 9(2)(a) of the Law, **except that –**
 - (a) in Summary Table 1 the total income from ‘Goods and Services Tax (GST)’ should be increased by the sum of £712,500, by increasing the rate of GST levied on

luxury cars (defined as those with an import or retail value over £30,000) to 10%, with the additional income transferred to the Climate Emergency Fund; and

- (b) the Minister for Treasury and Resource is requested to publish an estimate of the effect on General Tax Revenue of decreasing the rate of GST levied on –
 - (i) solar panels,
 - (ii) electric space heating replacement of oil heating,
 - (iii) electric cars, motorbikes, scooters and vans,
 - (iv) electric bikes and cargo bikes,
 - (v) loft and cavity wall insulation,
 - (vi) double glazing, and
 - (vii) installation of ground source heating to 0%, so that the Assembly can consider the financial effects of zero-rating those items in the Government Plan 2021; and
- (b) to approve each major project that is to be started or continued in 2020 and the total cost of each such project, in line with Article 9(2)(d), (e) and (f) of the Law and as set out in Appendix 2 – Summary Table 2 to the Report; and
- (c) to approve the proposed amount to be appropriated from the Consolidated Fund for 2020, for each head of expenditure, being gross expenditure less estimated income (if any), in line with Articles 9(2)(g), 10(1) and 10(2) of the Law and set out in Appendix 2 – Summary Tables 3(i) and (ii) of the Report; and
- (d) to approve the estimated income, being estimated gross income less expenditure, that each States trading operation will pay into its trading fund in 2020 in line with Article 9(2)(h) of the Law and set out in Appendix 2 – Summary Table 4 to the Report; and
- (e) to approve the proposed amount to be appropriated from each States trading operation’s trading fund for 2020 for each head of expenditure in line with Article 9(2)(i) of the Law and set out in Appendix 2 – Summary Table 5 to the Report; and
- (f) to approve –
 - (i) the establishment of a “Climate Emergency Fund”, in accordance with the provisions of Article 6 of the Law, as set out at Appendix 3 to the Report; and

- (ii) the estimated income and expenditure proposals for the Climate Emergency Fund for 2020 as set out in Appendix 2 – Summary Table 6 to the Report; and
- (g) to approve the amounts to be transferred from one States fund to another for 2020 in line with Article 9(2)(b) as set out in Appendix 2 – Summary Table 7 to the Report; and
- (h) to approve the estimated income and expenditure of the Social Security, Health Insurance and Long-Term Care Funds for 2020 set out in Appendix 2 – Summary Tables 8(i), (ii) and (iii) to the Report, with –
 - (i) the estimated income to be raised from existing social security contributions defined in the Social Security Law and the proposed changes to contribution liability; and
 - (ii) the estimated expenditure to be paid to support the existing benefits and functions defined in the Social Security Law, the Health Insurance Law and the Long-Term Care Funds and new benefits, if any, to be paid from the Funds; and
- (i) to approve, in accordance with Article 9(1) of the Law, the Government Plan 2020–2023, as set out at Appendix 4 to the Report.

REPORT

The first part of this amendment is to increase Goods and Services Tax (“GST”) on high-value cars sold in Jersey. The figure quoted in the amendment comes from an estimate provided by the States’ Treasury and Exchequer.

The second part of the amendment is to remove GST from a list of climate-positive goods. This list could contain items such as the following goods –

- solar panels
- electric space heating replacement of oil heating
- electric cars and vans
- electric bikes and cargo bikes
- loft and cavity wall insulation
- double-glazing
- installation of ground source heating.

In order to give effect to this change, a list of goods benefiting from zero-rating for GST purposes could be compiled and included in the GST legislation or in a Comptroller’s Direction. Schedule 6 of the [Goods and Services Tax \(Jersey\) Law 2007](#) (the “GST Law”) already sets out a number of zero-rated supplies including the supply of residential property, exported goods, and a number of international services.

I am happy to accept a list determined by the Minister for the Environment and those who have worked on the climate change plan, as directed by the Assembly.

GST registered businesses should be able to deal with charging different rates (assuming the master file of prices reflects the correct GST rate). UK Value Added Tax (“VAT”) is currently charged at 3 different rates on goods and services, namely 0%, 5% and 20%, the latter being the main rate of tax, and the 5% rate being charged on the supply of fuel and energy-saving materials. Nevertheless, introducing new rates of GST will result in set-up and ongoing monitoring costs for local businesses.

The amendment seeks initial publication of estimated costs. These could not be produced for this amendment as I requested. Therefore, the amendment takes a pragmatic approach to give time to cost these measures before returning to the Assembly for agreement on implementation and amendment of appropriate Articles. It also gives time for the most effective measures to be identified; for example, the short- and long-term benefits from lowering carbon emissions.

This change sends a clear message of intent to the general Public, that climate-positive measures will be supported. It counteracts, to some extent, what can be seen as more punitive tax rises elsewhere.

Background and context

Many jurisdictions offer incentives for climate-positive goods.

UK

Energy products that qualify for the reduced rate of 5% VAT in UK are –

- controls for central heating and hot water systems
- draught insulation, for example around windows and doors
- insulation on walls, floors, ceilings, lofts, etc.
- solar panels
- wind turbines
- water turbines
- ground-source heat pumps
- air-source heat pumps
- micro combined heat and power units.

There are also a number of heating systems included. I would identify electric water and central heating installation as part of the list in Jersey.

Jersey does not have grant schemes, at present, for promoting “Green” initiatives in the same way as other jurisdictions (see useful links below).

This is a simple initiative that will offer some positive steps.

Financial and manpower implications

Income from increase in GST is estimated using data from the Treasury. Further estimations will need to be produced as part of the amendment.

Useful References

<https://www1.compareyourcountry.org/environmental-taxes>

https://www.oecd.org/environment/outreach/EN_Policy%20Manual_Creating%20Market%20Incentives%20for%20Greener%20Products_16%20September.pdf

Examples of grant systems

<https://www.grantwatch.com/cat/10/environment-grants.html>

<https://www.gov.uk/improve-energy-efficiency>