

Deputy R C Duhamel
Goods and Services Tax Scrutiny Office
States Building
St Helier
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Sent by e-mail to scrutiny@gov.je

28 April 2005

Dear Deputy Duhamel

PROPOSED GOODS AND SERVICES TAX

Further to your notice in the Jersey Evening Post, I am writing to you to put forward my concerns regarding the day-to-day implementation of the proposed tax and the effects that it will have on the fishing industry.

In the past I worked in the UK as an accountant. I have had considerable experience with the implementation of VAT regulations and have dealt with VAT inspectors whilst they carried out their regular control visits of clients' records.

My husband is a shellfish merchant based in St Helier whose main business involves the buying of shellfish from Jersey fishermen and exporting it to France. In addition he buys bait, which is imported from France and Ireland and lobster pots and rope, etc. that is imported from the UK, all of which he sells to Jersey fishermen.

In common with the other shellfish merchants, at present when a fisherman lands his catch, my husband issues a landing ticket showing what quantities of the various shellfish have been landed. A copy of the landing ticket is handed to the fisherman immediately and subsequently my husband then

writes out a purchase invoice showing the price paid for each type of shellfish purchased. This invoice is handed to the fisherman when he collects the cheque for the amount that is due. At no time during the transaction does the fisherman have to produce any paperwork, my husband does it all for him.

When a goods and services tax is implemented, will the fishermen have to produce their own delivery notes and invoices, which will no doubt have to show their own goods and service tax number (similar to the regulations for UK invoices having to show the VAT number) or will my husband still be allowed to issue his purchase invoices albeit that he will have to write the fisherman's tax reference number on each invoice?

As you can appreciate, being out at sea hauling hundreds of lobster pots each day is very tiring and expecting the fisherman to become his own bookkeeper at the end of 10 hours' fishing is unreasonable and impracticable. I know of some fishermen who struggle with reading and writing and whose arithmetic is poor, do you honestly think that they will be able to issue a valid tax invoice at the time that they land their catch? There are other fishermen whose partners do their bookkeeping from home and there will be days when the delivery notes and/or sales invoice books will be at home and not on the fishing boat thus meaning that the catch could not be landed. Will it be up to my husband to ensure that the fisherman has all the necessary documentation on hand before he agrees a time that the fisherman can come to our viviers to unload his catch? My husband works more than 12 hours a day some days and it will be hard on him if he has to wait at the vivier whilst the fisherman drives home to pick up the necessary documentation prior to landing his catch, it will also be detrimental to the welfare of the shellfish that will be kept out of water for a longer period of time than normal.

I have read that 'small' enterprises will not have to register for the goods and services tax, but even if the fishermen do have a turnover of less than £300,000 per annum, they will still want to register so that they can claim back the tax that they will have to pay on their business expenses, including the bait, lobster pots and rope, etc. that my husband will have sold to them.

As most of my husband's sales are exports to France, they will be zero rated and therefore he will always be in a position where he will be due a refund of the tax that he has had to pay on the shellfish that he has purchased from the fishermen who have registered under this tax, not to mention all his other business expenses such as rent, light and heat, telephone, repairs, insurance, , etc. Is it envisaged that my husband will be able to claim the excess tax paid on a monthly basis or will it be quarterly? If the period is quarterly, will it be possible for the return dates to be set so that one will coincide with my husband's year-end, which is not 31 December? My husband works on very tight margins and in fact made a loss in the last period of trading; the extra money that will have to be paid out in advance to the fishermen and other suppliers, not to mention the import tax on the bait and other purchases, will produce cash flow problems if it is not reclaimed and repaid monthly.

I am also concerned regarding the ability of the fishermen to keep adequate records so as to be able to complete the necessary tax returns, let alone to pay over the net amount of tax due on a timely basis. Most of the fishermen either have no crew or use the services of self employed share fishermen and

therefore have not had the experience of deducting social security from payments made to employees and then paying it over, so the idea of collecting the goods and services tax on behalf of the States and then paying that over will be totally 'foreign' to them. Some of the fishermen appear to live from hand to mouth and are always short of funds. For the past two years, the quantity of fish caught has been falling and with prices paid to them being relatively unchanged during that time, apart from the seasonal rise at Easter and Christmas, I can foresee that some of them will be tempted to spend the 'extra' money they have received and will be unable to pay over the tax when it is due.

When VAT was introduced in the UK, some people found the paperwork so difficult to deal with that they had to ask their accountants to prepare their monthly or quarterly VAT returns on their behalf. Although there will be only one rate of tax in Jersey, there will still be a lot extra work involved in assimilating the paperwork required to prepare the returns. For hardworking fishermen it may be one burden too many and they also will have to pay an accountant to do this for them, thus incurring yet another cost that they can ill afford.

Finally, I wonder how many extra staff will need to be employed to operate and police this tax, including all the control visits that will have to be made to ensure that each business is calculating and recording everything correctly and the attendance at the Petty Debts and Royal Court whilst pursuing unpaid monies. I assume that the tax returns will be posted to the businesses from the tax office thus incurring costs of printing and postage, they will be completed by the business and then returned by post presumably with a cheque or a request for a repayment. Will the forms be scanned into the computer as with the social security forms or input manually? The social security scanning process has caused at least one error with my husbands business when a '0' was taken to be a '6' and manual inputting is subject to human error so will there be any system of checking to make sure that the correct figures are entered onto the computer or will it be down to the businesses to point out any mistakes? The banking of the cheques from businesses who are net payers and the drawing of cheques to businesses who are due refunds all incur bank charges not only for the States, but also for the businesses concerned. It seems that the only ones who will definitely benefit from this are the post office, stationers, accountants and banks and I hope that the additional costs involved in collecting this tax do not outweigh the monies raised.

Yours sincerely,

Lyn Viney (Mrs)