

STATES OF JERSEY

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ANNUAL BUSINESS PLAN 2009 (P.113/2008): FOURTH AMENDMENT (P.113/2008 AMD.(4))– AMENDMENT

**Lodged au Greffe on 2nd September 2008
by Senator F.E. Cohen**

STATES GREFFE

ANNUAL BUSINESS PLAN 2009 (P.113/2008): FOURTH AMENDMENT (P.113/2008 Amd.(4))–
AMENDMENT

1 PAGE 3, AMENDMENT (5) TO PARAGRAPH (b) –

Delete the words “, with the approval of this expenditure, in accordance with the provisions of Article 14(9) of the Public Finances (Jersey) Law 2005, dependent upon the subsequent approval by the States of the introduction of a Vehicle Emissions Duty which will generate sufficient income to fund this expenditure”.

2 PAGES 3/4, AMENDMENT (9) TO PARAGRAPH (b) –

Delete the words “, with the approval of this expenditure, in accordance with the provisions of Article 14(9) of the Public Finances (Jersey) Law 2005, dependent upon the subsequent approval by the States of the introduction of a Vehicle Emissions Duty which will generate sufficient income to fund this expenditure”.

3 PAGE 4, AMENDMENT (5) TO PARAGRAPH (f) –

Delete the words “providing that a new Vehicle Emissions Duty is approved by the States in 2008 to fund this expenditure”.

4 PAGE 5, AMENDMENT (8) TO PARAGRAPH (f) –

Delete the words “providing that a new Vehicle Emissions Duty is approved by the States in 2008 to fund this expenditure”.

SENATOR F.E. COHEN

REPORT

Supported by the Deputy of Trinity, I am proposing that we do not introduce a new Vehicle Emission Duty. My amendment still wholeheartedly supports the implementation of the environmental initiatives proposed by the Council of Ministers but requires that these measures be initially funded through increasing cash limits in a similar manner to the other amendments to the Business Plan proposed by the Council.

The reasons for my amendment are as follows:

1. We have only just introduced GST and this is not an appropriate time to introduce any new taxation.
2. The recently introduced GST on new motor cars will raise approximately £2 million per year which is coincidentally a similar sum to the cost of the proposed environmental initiatives expenditure. Thus it can be considered that the GST raised on the sale of new cars could notionally fund the proposed environmental initiatives. Formal hypothecation of the GST receipts on new cars for the purposes of funding environmental initiatives remains an option if total GST receipts are sufficient.
3. The introduction of the proposed new tax, in addition to the recently introduced GST, would effectively double tax the purchase of new cars.
4. Any well-designed environmental tax must satisfy 2 criteria: the first being that it taxes a genuinely environmentally negative action; the second being that all the funds raised are applied to environmentally positive initiatives.
5. The purchase of a new car is not in itself an environmentally negative action. In fact it can be argued that increasing the price of new cars will encourage the retention of older less efficient motor cars.
6. The current proposal compounds the potentially negative environmental impact of the new tax by proposing that the tax will be discounted by up to 60% on the importation of older second-hand cars. This will provide an incentive to import older less efficient motor cars likely to have a more damaging environmental impact.
7. During 2007 I consulted the public on the concept of introducing an annual Vehicle Emission Duty. Respondents clearly stated that if an environmental tax were to be introduced they would prefer that it be raised by levying a small duty on fuel.
8. The burning of fossil fuels constitutes the negative environmental impact of using a motor vehicle and therefore if an environmental tax were to be introduced at a future time, the most logical form of taxation would be a small duty on fuel. In this way the tax paid would be directly related to the negative impact burning hydrocarbon fuel has on the environment.
9. The implementation of a new hypothecated environmental tax based on a small fuel duty to fund the proposed and further environmental initiatives could be considered later in 2009 dependent on the prevailing economic circumstances and fuel prices. Initially, funding environmental benefits by raising cash limits without imposing new taxation will enable the public to practically benefit from the environmental initiatives before embarking on further informed consultation.
10. The JEC have generously agreed to contribute a £500,000 one-off grant to start the environmental fund providing this is matched by the States. The Council of Ministers' proposal is to raise £2 million to be added to the JEC's grant, making a total fund of £2.5 million for the year. The environmental initiatives are highly laudable and I am fully supportive of the expenditure, however I believe they should be funded, at least initially, by increasing cash limits.

The financial implications of this amendment are self-explanatory and, as mentioned above, involve increasing overall cash limits rather than funding this expenditure through additional tax revenues. The amendment does not change the manpower implications of the Council's amendment.