

STATES OF JERSEY



GOODS AND SERVICES TAX: *DE MINIMIS* WAIVER

Lodged au Greffe on 14th November 2007
by the Minister for Treasury and Resources

STATES GREFFE

PROPOSITION

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

- (a) to agree that the *de minimis* waiver of duty or Goods and Services Tax on imported goods below which the duty or tax due will not be collected should be fixed at £12; and
- (b) to request the Minister for Treasury and Resources, in conjunction with the Agent of the Impôts, to implement the decision.

MINISTER FOR TREASURY AND RESOURCES

REPORT

The States has confirmed that GST is to be a simple, single rate tax with low compliance and administrative costs. Under the GST Law, GST on the importation of goods shall be charged and payable as if it were a customs duty under the Customs Law.

It falls to the Agent of the Impôts, subject to the general control of the Minister for Treasury and Resources, to collect, manage and account for the revenues of customs and excise; these revenues will include GST on the importation of goods into the Island. In order to discharge this responsibility it is essential that an effective *de minimis* waiver is agreed in order to facilitate the importation of low value goods which are difficult and/or uneconomic to charge to duty and traditionally benefit from relief in equivalent tax systems.

When GST is introduced, the Jersey Customs and Immigration Service will face the challenge of processing the clearance of thousands of consignments that will arrive in the Island each day. The Service is mindful therefore that mechanisms will need to be in place to expedite the speedy clearance of low value items that are –

- generators of little tax overall;
- difficult to value for assessment purposes often being gifts/second-hand goods, etc.;
- often imported via un-manifested routes (passenger baggage/post);
- time-consuming to charge;
- traditionally qualify for relief in equivalent tax regimes;
- imported in high volume and likely to overwhelm any control system.

A low *de minimis* waiver in the GST environment would unquestionably cause the Service additional work, and this would require both: (a) the provision of proportionate additional resources; and (b) the creation of extra, more generous relief schemes to facilitate goods flow. The former would raise the operational costs for shippers and others involved in the collection of GST, and the latter would significantly complicate the administration of the tax and cause possible confusion amongst both the public and trade alike.

It is intended that the majority of imported goods (those imported by regular importers who agree to certain conditions) will be released immediately at the point of import with any GST liabilities being accounted for at a later date. There will also be a system to allow pre-payment of GST to expedite the delivery of imported goods. However, without a *de minimis* waiver all goods imported by private individuals where GST has not been pre-paid would need to be detained at the Port or Post Office pending a declaration and assessment/payment of GST; the vast majority of these goods will be of low value. It is vital therefore that there is a mechanism in place to release low value goods on arrival where the cost to collect the revenue, both in real and economic terms, is far in excess of the revenue liability.

For the last 15 years the Customs and Immigration Service has operated a £10 *de minimis* waiver for customs and excise duty on imported goods. Prior to this the waiver had been £3. This *de minimis* does not refer to the value of the goods but to the amount of duty or tax below which it would be considered uneconomical to collect.

Increases in the cost of living have substantially eroded the value of this waiver and there is already a case to be made that it needs to be increased; the application of GST will make this need imperative.

The *de minimis* waiver is currently an administrative procedure; however to comply with the International Convention on the Simplification and Harmonisation of Customs procedures, more commonly known as the Kyoto Convention, an amendment will be required in the future to the local Customs legislation to allow an Order to be made to state the amount of duty for which no collection will be made. However, until revisions to the European Union Modernised Customs Code are in force it is not appropriate to amend local Customs legislation to comply with the Convention. Any *de minimis* waiver must therefore remain at this time an administrative procedure under the authority of the Minister.

Research by the Customs and Immigration Service in association with Crown Agents has identified that the majority of low value goods are imported into the Island as postal traffic by the Jersey Post Office or as courier traffic by the 5 fast courier service companies that operate from a series of warehouses situated near to the States Airport. It is estimated that approximately 500 parcels arrive into Jersey every day through the Post Office and approximately 2,700 items every day by fast courier. Data on the value of these goods is limited;

however analysis of the data that is available shows that whilst the majority are of very low value, i.e. below £100, current facilities both at the Post Office and courier companies premises would be insufficient to store the remaining quantities of parcels and goods that would be detained pending payment of GST with a *de minimis* waiver set to correspond to that £100 value. It is only when the value of items reaches £400 or more that the physical number of parcels and goods that would require to be held falls to acceptable levels.

Whilst many of the items imported by the courier companies would not require physical examination as their nature is disclosed on the shipping manifest, parcels arriving at the post office will require physical examination to calculate a GST liability. The Customs and Immigration Service consider that with a *de minimis* charge level of £12, accounting for GST on the remaining low value importations is achievable with the proposed resources; however a lower *de minimis* will result in serious resource implications for the Service.

Although the Air Express Operators' Group, the trade association of the Jersey fast courier service operators, have advised that they consider the *de minimis* waiver should be set at £30 (allowing £1,000-worth of goods to be free of GST), independent reviews undertaken by Crown Agents and the Economic Advisor to help inform any decision recommend a *de minimis* waiver of £15. Whilst at the time of the reviews the Chamber of Commerce supported this £15 figure, it is recognised that they have since stated that they are now unable to support that figure.

Having taken these factors into consideration, it is considered that a *de minimis* waiver of £12 (i.e. amounts below this sum will be waived) is appropriate. It is emphasized, however, that this is proposed as a *de minimis* waiver for Customs purposes overall and does not relate exclusively to GST but rather is a *de minimis* for the sum of all Customs charges, i.e. customs duty, excise duty and GST; of course, if GST is the only tax applicable in any one charge, then goods up to the value of £400 may be imported without payment of tax.

Financial and manpower implications

With the proposed £12 *de minimis* waiver there are no additional financial or manpower implications other than those already identified for the implementation of GST.