

STATES OF JERSEY



FOREIGN TAXES AND FREIGHT COSTS IN PRICES OF GOODS SOLD IN JERSEY

Lodged au Greffe on 25th June 2010
by Deputy M.R. Higgins of St. Helier

STATES GREFFE

PROPOSITION

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

- (a) to request the Minister for Economic Development to instruct the Trading Standards Section of his Department to investigate consumer pricing complaints and generally to monitor the prices charged by both foreign-owned and locally-owned businesses to ascertain whether they are incorporating into the price of goods sold locally any foreign taxes, or component of foreign taxes, that are not applicable to goods exported to Jersey, or incorporating into the price a shipping cost that is greater than the true cost of the shipment of the goods to the Island; and
- (b) to request the Minister for Treasury and Resources to present to the States for approval no later than September 2010 amendments to the Income Tax (Jersey) Law 1961, that would enable the Income Tax Department to change the tax status of any foreign-owned company trading in Jersey or the shareholders of locally-owned trading companies, so that –
 - (i) in the case of a foreign-owned company it will be liable to pay tax in Jersey on all its locally derived profits if it has been found by the Trading Standards Section of the Economic Development Department to be incorporating any foreign taxes, or components of foreign taxes in the price of the goods that it sells in Jersey that are not applicable to goods exported to Jersey, or charges as part of the price more than the actual cost incurred in the shipment of the goods to the Island by that company or someone acting on its behalf;
 - (ii) in the case of a locally-owned trading company the shareholders will be liable to pay a higher deemed dividend on the company's profits than they do at present time if it has been found by the Trading Standards Section of the Economic Development Department to be incorporating any foreign taxes, or components of foreign taxes in the price of the goods that it sells in Jersey that are not applicable to goods exported to Jersey, or charges as part of the price more than the actual cost incurred in the shipment of the goods to the Island by that company or someone acting on its behalf.

DEPUTY M.R. HIGGINS OF ST. HELIER

REPORT

Many people in Jersey are struggling to make ends meet. A situation that is due to many factors, not least –

1. The high cost of living in Jersey.
2. The current economic climate which has depressed earnings or lead to a loss of employment.
3. The practices of various wholesale and retail outlets who are charging prices for goods comparable to those found in other countries, such as the United Kingdom, which include sales and value-added taxes which if the goods are sold in Jersey they do not pay, or are sold at prices that are inflated to include “so-called” freight costs which are in excess of any freight charges they have actually incurred.

The purpose of this proposition is to try to assist the Jersey consumer who feels “ripped-off” by these outlets and to do so in a way that will either lead these individuals or organisations to change their behaviour or to hit their company’s bottom line, i.e. profits, and in the latter case assist the Jersey’s public finances at the same time.

The proposition seeks to change the behaviour of the individuals or organisations engaged in these practices through the Income Tax Law, and in particular those parts of the Law which relate to what are known as the “Zero-Ten” provisions.

Financial and manpower implications

In order for complaints relating to the price of goods to be properly investigated by the Trading Standards Section of the Economic Development Department, a qualified Cost and Management Accountant may have to be employed by the Section or an accountancy practice employed on an ad hoc basis to carry out the investigations on their behalf. I estimate that the total annual cost would not exceed £60,000 and this cost would be offset by the tax revenue that will be generated by the proposal.