

STATES OF JERSEY



EXPENDITURE PROPOSALS FOR 2012 AND 2013 AND DRAFT BUDGET STATEMENT 2011 (P.157/2010): AMENDMENT

**Lodged au Greffe on 8th November 2010
by Deputy G.P. Southern of St. Helier**

STATES GREFFE

EXPENDITURE PROPOSALS FOR 2012 AND 2013 AND DRAFT BUDGET
STATEMENT 2011 (P.157/2010): AMENDMENT

1 PAGE 2, PARAGRAPH (b) –

After the words “as set out in the Budget Statement” insert the words –

“except that, in Summary Table B ‘States Income 2011’ on page 74 the estimate of total income for 2011 shall be decreased by £15 million by maintaining the rate of Goods and Services Tax at 3% until May 31st 2012;”.

2 PAGE 2 –

After paragraph (d) insert a new paragraph (e) as follows –

“(e) to request the Minister for Treasury and Resources to lodge a Proposition in accordance with Article 4(3) of the Public Finances (Jersey) Law 2005 asking the States to agree to transfer £15 million in 2011 from the interest on the Strategic Reserve Fund to the Consolidated Fund.”.

3 PAGE 2 –

After paragraph (d) insert a new paragraph (e) as follows –

(e) to request the Minister for Treasury and Resources to lodge a Proposition in accordance with Article 4(3) of the Public Finances (Jersey) Law 2005 asking the States to agree to transfer £11.2 million in 2012 from the interest on the Strategic Reserve Fund to the Consolidated Fund.”.

DEPUTY G.P. SOUTHERN OF ST. HELIER

REPORT

The intention of this Proposition is to avoid the need to impose too high a level of tax increases at this stage of the economic cycle, when it is far from clear that we are even close to recovery. The Minister for Treasury and Resources proposes only actions which will further depress the economy. We face the prospect of major cuts to public services which, along with the associated 400 job losses, will take at least £65 million out of the economy. Despite his promises and assurances, the Minister for Treasury and Resources proposes to raise GST from 3% to 5% from June 2011.

This amendment to the 2011 Budget seeks to postpone the increase in the rate of GST to June 2012. In order to do this without further damage to the budget deficit, we need to find some £26.2 million of funding to cover this period. This breaks down into £15 million in 2011 and a further £11.2 million to cover the first part of 2012. The amendment asks the Minister for Treasury and Resources to use the interest from the Strategic Reserve for that purpose.

The impact of this will be to push local business, especially local retailers, further into recession, and to make all households significantly worse off. At a time of wage restraint, with a further pay freeze possible, the average household will be some £900 a year worse off due to this most reviled and regressive tax. The Minister has proposed a recipe for disaster.

However, as the Minister has often stated that, largely due to his wise management of the Island's finances, we are in a relatively good position compared to many economies. We have no debt and indeed we have over £500 million put aside to deal with "a major structural decline" in the mainstay of our economy. The Minister has often described the recession as structural and has further stated that if there were to be continued decline, he would consider use of the Strategic Reserve in 2 years' time. This Proposition simply advances his timeframe.

The result of accepting this Proposition would be to give some breathing space to properly assess where we are economically. It avoids the risk of tax-rises prolonging the recession and puts decisions in the hands of a new Assembly in 2012.

Financial and manpower implications

There are no direct manpower implications arising from this Proposition. The financial impact is to reduce the Strategic Reserve by £26.2 million.