

Corporate Services Scrutiny Panel

GST Sub Panel

THURSDAY, 7th SEPTEMBER 2006

Panel:

Deputy P.J.D. Ryan of St. Helier (Chairman)

Connétable J.L.S. Gallichan of Trinity

Connétable M.K. Jackson of St. Brelade

Mr. R. Teather (Advisor)

Witnesses:

Ms. M. Walton (Jersey Arts Trust)

Deputy P.J.D. Ryan:

I am obliged to read you out this rather formal notice; there is a copy of it just in front of you there.

Because it is important that you understand the conditions under which you are appearing at the hearing. "The proceedings of the panel are covered by parliamentary privilege through Article 34 of the States of Jersey Law 2005 and the States of Jersey Powers, Privileges and Immunities, Scrutiny Panels, PAC and PPC (Jersey) Regulations 2006. What this means is that witnesses, such as yourself, are being protected from being sued or prosecuted for anything said during hearings unless they say something that they know to be untrue. This protection is given to witnesses to ensure that they can speak freely and openly to the panel when giving evidence without fear of legal action, although the immunity should obviously not be abused by making unsubstantiated statements about third parties who have no right of reply. The panel would like you to bear this mind when answering questions." We are recording and there will be transcriptions that will go on to our website.

Ms. M. Walton:

That is fine.

Deputy P.J.D. Ryan:

If you are unhappy with any of the accuracy of the transcriptions or want to add clarity to anything that you have said, please feel free to come back to us. We can do that.

Ms. M. Walton:

Does the transcription come to me before it goes on the web or is it to web first?

Deputy P.J.D. Ryan:

It goes on to the website --

Ms. M. Walton:

It does?

Deputy P.J.D. Ryan:

-- and you can then add any clarity after that. Oh, you get it first, sorry.

Ms. M. Walton:

Great. Thank you. Before we start, I just wanted to give you an updated version of the paper I submitted.

Deputy P.J.D. Ryan:

Please do, yes.

Ms. M. Walton:

Would that be helpful?

Deputy P.J.D. Ryan:

That would be lovely, thank you.

Ms. M. Walton:

It has just got updated figures for people studying arts subjects at the moment and the GST rate at 3 per cent. Otherwise, it is the same in substance.

Deputy P.J.D. Ryan:

Okay. Before we start, have you had any consultation or discussions with the States' GST team on how GST might affect the arts generally in Jersey?

Ms. M. Walton:

No.

Deputy P.J.D. Ryan:

Okay. That is one of the areas that we are finding is that certain sections have not had that direct discussion with the GST team on the technicalities to see --

Ms. M. Walton:

Yes. Yes. Well, I have read through the policy documents obviously and the legislation and spoke to a member of the team just about submission to the consultation process. But did not talk about the impact specifically.

Deputy P.J.D. Ryan:

Right. How it would affect you?

Ms. M. Walton:

Yes. I just want to make it clear before we start, we do not represent the Opera House or the Art Centre; obviously, I have discussed this with them but we are separate organisation. We are a small grants giving body. So, the people that we are dealing with, it is really broad, it is a really wide variety of circumstances, so it is quite difficult to generalise.

Deputy P.J.D. Ryan:

Yes. To generalise? Yes.

Ms. M. Walton:

Yes.

Deputy P.J.D. Ryan:

Okay. Well, that is fair enough. Yes. Okay. Thank you. I think UNESCO (United Nations Educational, Scientific and Cultural Organisation) encourages countries generally, to give some kind of a special tax status to works of art and things. But I would like you to give us a flavour of the sort of range of work promoted by the Arts Trust. Could you give us a flavour of that?

Ms. M. Walton:

Yes, of course. I mean, it is extremely broad. I think perhaps if I gave you a snapshot of a week at the Arts Trust. We had an orchestra director from Belgium come in and he wanted to set up a festival over here. So, we were talking to him, putting him in touch with the right people. Then we are dealing with somebody who had a query because they were not allowed a busking licence but somebody else had. There was a Regulation of Undertakings issue. You know, that kind of thing. So, we are dealing with musicians, we are dealing with a whole remit of arts and on very different levels as well; on festival organisation down to grants giving. Say somebody needs to attend a ballet summer school; that is one of the grants that we given last year. Somebody had won a scholarship to attend a summer school, so we will help facilitate that in part, that kind of thing. Is that what you are after?

Deputy P.J.D. Ryan:

Okay. Yes, just a general flavour for where we are talking.

Ms. M. Walton:

Yes.

Deputy P.J.D. Ryan:

That is fine. Because not everybody understands exactly what the Arts Trust do anyway.

Ms. M. Walton:

It is a facilitating role. We have changed, we were involved in the Polish festival but we will not be doing anything like that again. We have downscaled now and we are a very small team; there is 2 of us. Our role is facilitation and pump-priming through grant giving.

Deputy P.J.D. Ryan:

Right. Well, let me ask you to articulate why you think that some kind of special treatment for GST should be given to artists and artists' productions and almost ask in reverse, what effect might it have if you did not?

Ms. M. Walton:

Okay. One of the issues is, I am a researcher by trade and coming into this area, I found it is quite difficult to put together a good evidence base because there is a real absence of information. The Statistics Unit, for instance, does not hold information on the gross value added by the creative industries in Jersey and the latest social survey did not have an element that asked about whether your profession was arts; that was excluded completely. So, there is a real gap in information - just to say to begin with - in terms of creating an evidence base. I think the possible impact is therefore, difficult to assess because there is almost an absence of a base-line. So, what we are doing is looking at practice elsewhere and the nearest one, probably, is Australia where a 10 per cent GST was introduced in 2000. I think one of the things I would like to say is that 3 per cent is a proposed rate but going to the introduction of the business plan, there is a possibility that may well change in the future and it may well go up. I think it is very important now to state the case that adding GST, for instance, to publicly funded bodies is in effect, giving and taking away with the same hand. The Jersey Arts Trust survives on a grant from the ESC; the Arts Centre similarly, Opera House similarly. So, these are grant aided bodies, if you then apply GST to them it is a nonsense almost you are adding --

Deputy P.J.D. Ryan:

You just reduce the grant.

Ms. M. Walton:

Yes. Absolutely. For instance, we are running a literature competition at the moment and one of the external judges in the UK, Mario Petrucci who is quite a well-recognised poet, said that he has been shocked at the level of under funding for the arts in Jersey and that anything that adds to that will be detrimental. I have brought a paper on the Australian GST which outlines the impact. They had sophisticated modelling systems; because they had that base-line information, they could look at the possible impact on revenues, ticket revenues, that kind of thing and the effect that they foresaw was quite dramatic. I think because we are living in a high-cost environment because we have a dominant industry here - the finance sector - it is quite difficult for the creative industries to survive. I think any additional burden on them needs to be avoided. I think it is generally recognised as a strategic aim that Jersey is too dependent on one industry and it makes us very vulnerable and that we need to spread and we need diversify our economy. I think that we need to support the arts sector in every way possible. I mean, you saw the success of Jersey Live and festivals and just raising the profile of arts and Gordon Brown in 2006 so that cultural sector, the arts sector, is fundamental to the growth. It is the major engine of growth in the UK economy. I think it is a crucial thing.

Deputy P.J.D. Ryan:

Okay. You are generalising quite obviously --

Ms. M. Walton:

I am. Yes.

Deputy P.J.D. Ryan:

-- but do you have anything concrete? Can you give us an example of what would happen?

Ms. M. Walton:

Okay. What I tried to do was we run an arts studio called Westmount opposite People's Park, and what I did was - given the timescale - I went up and did a brief questionnaire with them and talked to them about what they thought the possible impact might be as individuals to try and get that evidence base. The results are quite interesting. I think everyone is on a pretty low income; so everyone is vulnerable from that point of view. Everyone finds it difficult to predict, they do not know, you know? There was a difference between people saying: "Well, definitely this is going to impact on me doing workshops for education because of the extra cost. I do not know whether I can afford to do this, I am going to have to take up more teaching hours, rather than do that." Other people were saying: "Well, yes, it is going to add to the cost of our product, our artwork, and that may have an impact on sales but we do not really know." So, a lot of it is quite nebulous; people do not really know what the impact is going to be.

Deputy P.J.D. Ryan:

Yes, I think there is a general lack of full appreciation of or even knowledge on how it might affect.

Ms. M. Walton:

Yes, I think that is right.

Deputy P.J.D. Ryan:

But I suppose it will depend upon the level to which, or the degree to which, artists in the arts purchase things that will have GST carried on them into their inputs of their activity --

Ms. M. Walton:

Yes. But I think at the moment --

Deputy P.J.D. Ryan:

-- and how much of it is pure labour, in the general sense. Artistic labour which, of course, will not have any GST included in it.

Ms. M. Walton:

Yes.

Deputy P.J.D. Ryan:

Most of your artists would not be turning over £300,000 so they would not be forced to register.

Ms. M. Walton:

No. Absolutely. They are not forced to register at all. But it would good, I think, if they had a discretionary chance to do that if they chose to, if they could take the administrative burden.

Deputy P.J.D. Ryan:

Yes. It is voluntary. Voluntarily, you can register below if you are carrying out some kind of art activity.

Ms. M. Walton:

Yes. I think the issue is that looking at the reality of it, say the precedent from Australia, the administrative burden would be difficult for a lot of them because a lot of them are sole traders, that kind of thing. But in terms of the consumption and the idea that there might not be a big impact on them because it is labour, I do not think that is right because what I did in the questionnaire is looked at: "How much of your income are you spending on the materials you need and on other things like your space for working in, your workshop space?" and there were levels at 20-25 per cent. So, it is a big proportion of people's income. People are on very low incomes that are working as artists solely over here.

Deputy P.J.D. Ryan:

Yes. So, we are really talking about low income sectors?

Ms. M. Walton:

Yes. Absolutely. It is a very vulnerable sector I would say. There are exceptions to that obviously and the creative --

Deputy P.J.D. Ryan:

A degree of vulnerability.

Ms. M. Walton:

Yes, I am talking about individuals I think mainly here working as sole traders, people working out of Westmount selling odd bits of work but creative industries, you are talking about something else. You are talking about people that possibly would have that turnover and would be able to register.

Deputy P.J.D. Ryan:

Yes. Okay.

Ms. M. Walton:

Yes.

Deputy P.J.D. Ryan:

I mean, the question of the States grants to places like the Opera House and others is a different aspect to it.

Ms. M. Walton:

It is. Yes.

Deputy P.J.D. Ryan:

I wonder whether you have received any feedback - it is the first question I asked you - from the consultation team as to whether that was likely to carry GST or be subject to GST?

Ms. M. Walton:

No.

Deputy P.J.D. Ryan:

From last night's meeting, probably not.

The Connétable of Trinity:

Last night they said it is not.

Ms. M. Walton:

Okay. So, that is going to be exempted?

Deputy P.J.D. Ryan:

Well, no, just the States, when they are giving you a grant --

The Connétable of Trinity:

They will not levy a fee.

Deputy P.J.D. Ryan:

-- will not take 3 per cent out of it, effectively.

Ms. M. Walton:

Okay. But I think the issue is then the idea that the goods that the Arts Centre or the Opera House or us are buying will still have that levied on us. We will still have that levied on us and we are using public money.

The Connétable of Trinity:

But you should be able to reclaim it back if you zero rate it.

The Connétable of Trinity:

You should be able to reclaim your inputs back if you are registered.

Deputy P.J.D. Ryan:

If you are registered.

Ms. M. Walton:

Well, we are too small, the Arts Trust.

The Connétable of Trinity:

Oh, the Arts Trust. But the Opera House would be large enough, I would have thought. Basically, it is

the labour there, is it not?

Ms. M. Walton:

Possibly.

The Connétable of Trinity:

That would all go on ticket price, would it not?

Ms. M. Walton:

Yes. Absolutely. That is the thing, it would be pushed on to the consumer and then that might have a knock-on impact which is what the Australian paper deals with to some degree.

Deputy P.J.D. Ryan:

Are you a charity? Do you have charitable status?

Ms. M. Walton:

We are looking into that. At the moment we do not. But we are looking into it. We are a trust just.

Deputy P.J.D. Ryan:

A trust?

Ms. M. Walton:

Yes.

The Connétable of Trinity:

What about these arts and crafts, do they come under you as well? The arts and crafts people who do these, as you say, small workshops. You know, we have the fair up at the RJA&HS where they are coming over again, we have antique fairs and they have this big fair that comes over in October for a month?

Ms. M. Walton:

Yes. No, most of those are UK.

The Connétable of Trinity:

They are UK-based, are they not?

Ms. M. Walton:

Yes. We are like an advice service almost and a pump-priming service. So, we do not have a membership. We are not a membership organisation.

Deputy P.J.D. Ryan:

How would you distinguish between an arts business and a hobby?

Ms. M. Walton:

That is a real issue. It is an enormous issue and it is one that has caused a lot of contention, I think. It is mentioned in the paper that there is no distinction at the moment between hobbyists and people who make their living out of art. I think perhaps one way of doing it is that criteria; if you make a living out of your art, rather than it be a part-time activity. But the reality is in Jersey, that even a successful artist, say like Gabby Radiguet, needs to work as a teacher to supplement her income because it is not possible for her to exist. Although, defining a successful artist on the basis of receipts from their work alone is a really contentious, difficult issue and I do not have the answer.

Deputy P.J.D. Ryan:

Okay. You also refer to the possibility of the United Kingdom or other countries, presumably, competition on obtaining local artistic work rather than local businesses. How would GST affect that?

Ms. M. Walton:

I think it is just about price differentials. That would be about outsourcing, I think, rather than in-Island.

[Aside]

Deputy P.J.D. Ryan:

Right. Okay. Yes, there is this question of a tourism angle to this. I should explain first of all that our adviser is not allowed to ask questions direct that is, unfortunately part of our codes of practice. So, he has to whisper in my ear if he wants to find out something.

Ms. M. Walton:

Oh, that is a bit frustrating. Okay.

Deputy P.J.D. Ryan:

Just to examine this question of the impact on tourism and whether you think there is any significant effect there from GST or whether GST could be reclaimed on any GST that was charged on works of art, presumably. Is that the area you are looking at? Just with export relief, if you were taking out works of art, it could be significant sums of money. That would obviously only apply if GST was charged on works of art, so that would probably mean that a work of art would have to have been sold by an artist to a retailing shop and who in turn would have charged GST on it.

Ms. M. Walton:

Yes. So, you mean that there is a distinction and that GST is only exempt or is not applied when the piece of work is exported? I see.

Deputy P.J.D. Ryan:

Well, when it is exported, often you would be able to reclaim the GST, you see, in certain places. If it was of sufficient value to make it worthwhile to do that.

Ms. M. Walton:

Yes. I think so possibly but I think the argument would be that it should not have been applied in the first place because of the possible impact on competitiveness if you are outsourcing. Jersey at the moment would be at a competitive advantage in terms of providing services like design services and there are bodies that do that, provide design and advertising services to UK companies. Well, there is one doing it in Scotland that we are aware of.

Deputy P.J.D. Ryan:

Are you talking about commercial art now rather than fine arts?

Ms. M. Walton:

Yes.

Deputy P.J.D. Ryan:

How big a sector is that in the Island? Commercial?

Ms. M. Walton:

I do not know. That is the thing. That is the real issue, I have not being able to quantify it. That is a piece of work we could do possibly and I think that the Australian work was saying that there was a real issue in terms of making sure the consultation was thorough and that the information base was there. I think I need to do lots of liaison with the stats unit in terms of improving that, but that is a future thing.

Deputy P.J.D. Ryan:

Commercial art would normally be provided as a service to other GST-registered businesses that would be able to reclaim any GST. So, that probably would not be a significant effect as far as GST.

Ms. M. Walton:

I am not sure.

Deputy P.J.D. Ryan:

Unless the administrative cost, of course, became difficult for those artists. Okay. I do not have too much more in the way of questions to ask. If there anything --

Ms. M. Walton:

The tourism point; festivals and their pulling power. Just a point to make I think possibly, tourism is really suffering at the moment --

Deputy P.J.D. Ryan:

Are you talking about performing arts and things?

Ms. M. Walton:

Yes. Well, an event, I mean, I cannot speak for Jersey Live at all but just looking at the media reports on that and how amazingly successful that was and all the hidden benefits; people spending money on accommodation, spending money in hotels and restaurants, et cetera. I think that that is an example of the artistic sector really adding value and it is really difficult to quantify and I think that putting any fetters on it, at this stage, when it is a growing industry, and it is such an important part of diversification, is a false economy. I think it is a mistake.

Deputy P.J.D. Ryan:

Yes, very good point.

Ms. M. Walton:

But it is very difficult to quantify, that is the issue I have.

The Connétable of Trinity:

You are picking a real beauty there with the Jersey Live because the stage and everything comes from the UK.

Ms. M. Walton:

Okay.

The Connétable of Trinity:

Everything basically is brought in, the stage, there were 60 stewards brought in from the UK. They tell me the only profit of that show is the drink they sell.

Ms. M. Walton:

Right. Okay.

The Connétable of Trinity:

The rest is just taken out in expenses. Of course, it is private individuals running it and how do you give benefits to one and not the other. Now, they are even talking about maybe charging for the policing going up there now because it is a profit making organisation. It is a tricky one.

Ms. M. Walton:

Okay.

Deputy P.J.D. Ryan:

That is something whether the performing arts or arts generally, not performing arts, might have an economic impact and there is a case for zero-rating or exempting from a tourism economy perspective.

Ms. M. Walton:

Yes. Absolutely.

Deputy P.J.D. Ryan:

I think that is the point you are making.

Ms. M. Walton:

It is. Yes.

Deputy P.J.D. Ryan:

We will ask that question of the Economic Development Minister to see what the reaction to that is.

Ms. M. Walton:

Yes. Thank you. There is a real issue there about using local expertise and ability and nurturing that, I think.

The Connétable of Trinity:

I think the only thing, as we know, is Jersey now is a short-stay holiday destination that you have got to mostly attract other things and I think Jersey Live is one and I think the air show today is another thing that brings in a lot of people.

Ms. Marion Walton:

Yes.

The Connétable of Trinity:

It is quite amazing how tourism in Jersey now is mostly event-related really.

Ms. M. Walton:

Yes. I think that is true.

The Connétable of Trinity:

The bucket and spade, although it is the most beautiful place for a bucket and spade --

Ms. Marion Walton:

It is the most beautiful place.

The Connétable of Trinity:

-- unfortunately they tend to go down to the Med for that and everyone is struggling on numbers.

Ms. M. Walton:

That is true.

Deputy P.J.D. Ryan:

Do you have experience of other jurisdictions that are zero-rating or exempting artistic events for tourism reasons? Australia or New Zealand?

Ms. M. Walton:

I do not. No, I could try and have a look at that for you, if you like.

Deputy P.J.D. Ryan:

Experience from other jurisdictions is always useful as evidence for us.

Ms. M. Walton:

Yes. Absolutely. No, I do not have any specific examples on that. I am sorry.

Deputy P.J.D. Ryan:

That would be interesting.

Ms. M. Walton:

Yes. Well, I can have a look at that and perhaps feed back to you. I will see if I can find anything useful.

The Connétable of Trinity:

Going back to last night's meeting, that was also brought up about people who are raising money for charities and doing events, was it not?

Deputy P.J.D. Ryan:

Yes.

The Connétable of Trinity:

Yes. It is a tricky one. Because everybody will suddenly change from being a business to trying to get events that are free of GST.

Ms. M. Walton:

So, the question you are interested in there is about 0 per cent GST regimes? What exactly is it that you want to know about an example of 0 per cent GST regime?

Deputy P.J.D. Ryan:

What I am looking for is evidence to show that other countries are actively encouraging either performing arts or other generally art-based --

Ms. M. Walton:

I think the examples you have got in the paper are about reduced rates.

Deputy P.J.D. Ryan:

-- through positive discrimination in favour of them, either through a taxation system or anything else and, if they have, what has been the effect? Has it been successful? I mean Ireland might be a classic case where there are --

Ms. M. Walton:

Yes. Absolutely. Yes, I had a brief look at that but was not able to find anything that relevant.

Deputy P.J.D. Ryan:

Yes. It would certainly help. The evidence would be better informed if it had a specific angle on tourism, for example.

Ms. M. Walton:

Yes. Okay.

Deputy P.J.D. Ryan:

I know Ireland has all sorts of provisions for encouraging artists to reside permanently in Ireland, there are all sorts of tax breaks, I think.

Ms. M. Walton:

That is right. If you are an artist effectively you are tax immune.

Deputy P.J.D. Ryan:

But I am thinking in terms of the tourism, with an angle there.

Ms. M. Walton:

The impact on tourism. That is interesting. Yes.

Deputy P.J.D. Ryan:

Whether even small jurisdictions, for example, like Caribbean or other highly tourism reliant jurisdictions. Seychelles? I do not know who they might be but perhaps you will have access to that kind of information.

Ms. M. Walton:

I will have a look. I think the one thing we have put in the paper here is about positive discrimination in terms of GST and the VAT as it is called as well. It is just a statement about what is done to try and say that it is done elsewhere. But in terms of outcomes I do not know, so that is possibly some extra piece of work that would be useful. What is your timescale?

Deputy P.J.D. Ryan:

I have just got a little note here which says that in your submission you have got Denmark?

Ms. M. Walton:

Yes. I have got various in there but what I am saying is that I have not got in there for you is a quantification of the impact of that compared to a baseline. I might not be able to find that but I can have a go.

Deputy P.J.D. Ryan:

This is probably for general cultural reasons but is there anything specifically relating to tourism?

Ms. M. Walton:

No, nothing specific on tourism; that was not an area I was looking at at the time. If I can find anything, I can update you and let you know whether I have been successful or I have not been able to find anything. What is your timescale?

Deputy P.J.D. Ryan:

We have got enough time.

The Connétable of Trinity:

Well, it depends what you mean by that really. We have got the first States debates which is supposed to be in November. So, we are talking about finishing our report by then beginning of October.

Ms. Marion Walton:

Beginning of October. Well, we are beginning of September now, so by the end of September at the latest?

The Connétable of Trinity:

Yes. That is right.

Ms. Marion Walton:

Yes. Okay. I will have a look at that and see if I can find anything useful. Is that okay?

Deputy P.J.D. Ryan:

Thank you very much. Thanks for your time.

Ms. M. Walton:

Pleasure. I will leave the Australian paper with you in case it is useful. Oh, and the other point I just wanted to make was about the number of people who are studying arts courses and the issue about returner's and providing an economy for them to come back into. Because there is a big issue at the moment, is there not, about paying for the grants for people studying these subjects and just because Jersey is so finance dominated at the moment that often they go abroad or go elsewhere and that expertise is lost to the Island.

Deputy P.J.D. Ryan:

The other thing that our adviser always likes to do is to try to quantify if there were to be special provisions, special treatment of the arts as you were suggesting, what does it mean to Jersey's economy or what does it mean in terms of the lack of GST or a loss of GST?

Ms. M. Walton:

Yes. We have done a paper as far as we can on what we think the arts industry is contributing to the economy and I can send that through to you. But it is not as quantified as I would like it to be because we just do not have that data but I can give that to you. It is an examination of the commercial arts businesses as well.

Deputy P.J.D. Ryan:

Yes. I mean, Mr. Teather will do an analysis and probably try and assess it but he is always going to get that more accurate if he can have some input from an industry representative that can perhaps inform him better on exactly what the economics of it are.

Ms. M. Walton:

Great. Yes. Sure. Yes, I can send the data that we have through. I think just one other contextual point about GST possibly rising but just that GST in itself, being a regressive tax from our point of view because it targets everybody, I am worrying about it being reduced to a bun fight between organisations saying: "Well, our cause is more important than yours and ..."

Deputy P.J.D. Ryan:

Yes.

Ms. M. Walton:

Yes. I think we cannot win that fight and that there is an issue about 0/10 proposals and the introduction of the whole thing to begin with. So, I would just like to make that point that I have an issue with it being introduced generally. Okay.

Deputy P.J.D. Ryan:

Okay. Thanks very much.