STATES OF JERSEY

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

Lodged au Greffe on 23rd November 2010
by the Connétable of St. Helier

STATES GREFFE

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

PAGE 3, PARAGRAPH 1 –

For the words “May 31st 2012” substitute the words “December 31st 2011”.

CONNÉTABLE OF ST. HELIER

REPORT

As happened when GST was first introduced, the Minister for Treasury and Resources has stated that the proposed rise in GST will not be applied to the hospitality sector –

> "*the Treasury Minister recognises the difficulties faced by the Jersey hospitality industry (in particular hotels) in providing prices to tour operators for accommodation in Jersey before the proposed increase in GST can be approved. The Minister will allow a similar concession which in effect will delay the imposition of the 5% rate to this sector until 1 January 2012.*" (P.157/2010, page 64).

While this is only proper, and will be appreciated by our tourism industry if a rise in GST is approved, it ignores the case that could be made by some retailers who have also published prices and planned their business for 2011 based on GST remaining at 3%. Despite the consultation process leading up to the proposed rise, some businesses may have taken comfort from the Minister's previous pledge not to raise GST and have set their 2011 prices accordingly. The proposal to exempt the hospitality sector alone is therefore unfair.

There is little doubt that any rise in GST from its current low level will mean 2 things: first, exemptions for food and domestic energy (and who knows what else) are likely to be approved by the States; second, and following on from this, the rate of GST will begin its unstoppable rise towards the levels that are experienced in other countries, beginning with a rise deemed necessary to cover the cost of administering GST exemptions. I believe that such a significant step should not be taken by a government in mid-term. The majority of States members in the next government is likely to have faced an election and will have set out policies on tax and spending.

A 6 month delay in increasing GST, rather than the one-year delay being proposed by Deputy Southern, would require a reduced call on the Strategic Reserve; this is an important factor as any States Member who looks to drawing from the Strategic Reserve is going to be called irresponsible. (The logic of this criticism is unclear, given the fact that considerably larger sums have been expended from the Stabilisation Fund as part of the Fiscal Stimulus Programme, and a delay in implementing a rise in GST can be considered an economic measure of equal legitimacy.) Delaying the rise in GST, albeit for only 6 months, would give the public of Jersey, and retailers in particular, a much-needed dose of encouragement during what are probably the hardest trading times since the Second World War. Not only do traders have to compete in the economic downturn, but they are also facing competition from Internet traders. (The Internet trader does not have to invest in High Street rents nor staff their premises for 8 hours a day. Yet the general public perceives that the High Street retailer should sell at the same price as the Internet.)

Whilst I fully appreciate the need to balance the books, I would argue that any rise in GST should not take effect until January 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 £15 million.