STATES OF JERSEY

GOVERNMENT PLAN 2020–2023 (P.71/2019): TENTH AMENDMENT (P.71/2019 Amd.(10)) – COMMENTS

Presented to the States on 22nd November 2019
by the Council of Ministers

STATES GREFFE

COMMENTS

Deputy R.J. Ward of St. Helier proposes the following in P.71/2019 Amd.(10) –

PAGE 2, PARAGRAPH (a) –

After the words "of the Law" insert the words –

", except that –

(a) in Summary Table 1 the total income from 'Goods and Services Tax (GST)' should be increased by the sum of £712,500, by increasing the rate of GST levied on luxury cars (defined as those with an import or retail value over £30,000) to 10%, with the additional income transferred to the Climate Emergency Fund; and

(b) the Minister for Treasury and Resource is requested to publish an estimate of the effect on General Tax Revenue of decreasing the rate of GST levied on –

(i) solar panels,

(ii) electric space heating replacement of oil heating,

(iii) electric cars, motorbikes, scooters and vans,

(iv) electric bikes and cargo bikes,

(v) loft and cavity wall insulation,

(vi) double glazing, and

(vii) installation of ground source heating to 0%, so that the Assembly can consider the financial effects of zero-rating those items in the Government Plan 2021".

The Council of Ministers opposes this proposal and urges States Members to reject the amendment.

Tackling the climate emergency is a Government priority. However, this proposition and these changes are premature whilst Jersey is in the process of developing proposals that respond to the climate emergency.

Jersey's GST regime operates as a low, broad and simple regime, in line with our agreed Tax Policy Principles. All States Assemblies to date have maintained and supported the principle of maintaining a simple, low rate of GST. Introducing differential GST rates into a low-rate, broad-base regime, complicates that structure and is unlikely to have a significant impact on behaviour because the base rate is already low.

Part A – 10% GST on luxury cars

In P.27/2019, lodged by the Deputy, the States 'agreed to look at fiscal levers that will change behaviour and raise awareness'. Whilst this proposed charge will raise revenue, it does not provide any environmental signals or behaviour change benefits in respect of carbon use – it is simply a higher GST charge on cars valued over £30,000.

The most polluting vehicles are often second-hand vehicles, and GST on these vehicles applies only on the margin between the second-hand purchase cost and the sale price (under the GST "margin scheme"). Therefore, a higher rate of GST on luxury vehicles will principally impact the cost of a vehicle when it is first registered, and is unlikely to affect the demand for second-hand vehicles, in particular.

Part B – zero-rating the proposed list of environmentally-friendly products

Jersey's low 5% rate of GST means that GST is not the strong fiscal lever that it might be in countries with higher GST/VAT rates (such as the UK with a standard VAT rate of 20%).

Removing GST from the cost of products potentially reduces prices by only 4.8% (5/105 of product cost). There is no evidence that this modest reduction in cost will incentivise the uptake of environmentally-positive measures which is the assumed driver for this amendment.

There is no guarantee that suppliers will pass on the GST reduction to consumers. Sales prices may remain unchanged, allowing suppliers to retain the GST as a saving.

Removing the GST from the cost of environmentally-positive products, such as solar panels and electric space heating, is unlikely to make them affordable for a large percentage of the population. Revenue Jersey and officers from Environmental Strategy will be working together over the next year to identify possible grant funding initiatives, and the development of environmental taxes that should influence the behaviour of consumers on environmental matters. This is where the emphasis of officer resources should be focused.