

STATES OF JERSEY



BUDGET 2006: THIRD AMENDMENT

**Lodged au Greffe on 15th November 2005
by the Economic Development Committee**

STATES GREFFE

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to reduce the estimates of income of Indirect Taxation from Vehicle Registration Duty by £100,000 from £3,101,000 to £3,001,000 by exempting agricultural vehicles from the duty.

ECONOMIC DEVELOPMENT COMMITTEE

REPORT

The former Agriculture and Fisheries Committee lodged an amendment to the Budget in 2002 proposing that the income from Vehicle Registration Duty (VRD) should be reduced by £100,000 by exempting agricultural vehicles from duty. However, before the amendment could be debated, Senator Jean Le Maistre (then President of Agriculture and Fisheries) and Senator Frank Walker (then President of Finance and Economics) announced that they had reached an agreement. This was basically that VRD would still apply to agricultural vehicles but applications for a rebate could be made to the former Agriculture and Fisheries Department as a sum of money had been found.

The following are transcripts of the section relating to the withdrawal of the amendment proposing that agricultural vehicles be exempt from payment of VRD –

President of Agriculture and Fisheries:

“having sought the assurance of the President of F&E that this sum would be available to be added to the Agriculture and Fisheries budget rather than being debated as an amendment I am happy to seek leave of the House to withdraw the amendment.”

President of Finance and Economics:

“to confirm that we have indeed reached an agreement with the Committee of Agriculture and that following discussion between the two Committees we will find a mechanism through which we will rebate farmers for agricultural vehicles”.

Subsequently, the Finance and Economics Committee earmarked a fund for this purpose of £200,000 where any unspent balance was carried over to cover rebates for the following year. This amount has covered rebates to farmers since the introduction of VRD in January 2003, it is now exhausted and the Finance and Economics Committee has declined to provide additional funds to enable rebates to be made in 2006 and 2007. The proposed amendment asks that agricultural vehicles, as defined in the current rebate scheme, be exempted from paying VRD with effect from 1st January 2006, until VRD is replaced by GST in 2008. As GST is a cascade tax that can be refunded on all input costs, including agricultural vehicle purchases by businesses, then a rebate scheme will not be required.

The reason for the amendment to the 2003 budget proposed by the former Agriculture and Fisheries Committee was that analysis of the industry over the preceding five years had shown a pattern of deteriorating trading results in all sectors, resulting in severe pressure being placed on funds available for reinvestment, with a number of units going out of the industry. It was felt that it was not the time to increase the burden on the industry by applying VRD to agricultural vehicles.

The Economic Development Committee feels strongly that this pressure is even more acute at the present time of very significant change and consolidation within the agricultural industry due to factors such as intense pressure from supermarkets, increasing costs of fuel and the increased cost of compliance with modern standards. This pressure has been made even more intense as indirect funding to the industry through subsidised services has been cut over the years since the original amendment was lodged.

The Economic Development Committee has suffered 5% budget cuts year on year since 2003 and is unable to reprioritise its budget to meet this expense because it already has unfunded priorities to pay in 2006. The implication of this amendment not being successful is that the cost of rebates will either have to be funded out of the Rural Economy Strategy or passed to the agriculture industry.

In the first instance this would mean that the budget for the Rural Initiative Scheme would potentially be reduced by 20% to 25%, which will have a significant impact on the success of the Rural Economy Strategy and would undermine its objective of trying to help improve the long term prospects of farmers. In the second instance where the full cost of VRD is transferred to farmers then, due to poor current trading positions, the majority will simply not buy agricultural equipment for two years until VRD is replaced with GST (which is refundable to them). This

will probably have the effect of decimating the few small businesses that supply agricultural equipment to the industry.

The agricultural industry is going through intense upheaval, consolidation and change and the application of VRD for the next two years would place unnecessary extra pressures on an already struggling sector. The Economic Development Committee feels strongly that the States and the Finance and Economics Committee should honour its commitment made in 2002 and therefore the VRD rebate should continue until GST is introduced.

The consequence of this amendment is that the estimated income from Impôts Duties set out on pages 2 and 10 of the Budget will reduce by £100,000 to £46,012,000 and the forecast States' deficit will increase by the same amount.

Manpower implications

There are no manpower implications arising from this amendment.