JERSEY
Chamber of Commerce

Dear Deputy Ahier, and Panel Members,

Please find the brief feedback received from Chamber of Commerce Members, concerning the Scrutiny review of the 2019 Draft Budget Statement.

The Jersey Chamber of Commerce is the largest business organisation in Jersey, with over 550 businesses within our membership, with a workforce of over 27,000. The comments received have been collated from our wider membership and through our seven committees. The Jersey Chamber of Commerce is an organisation completely funded by its membership and therefore independent of Government and has been representing business sectors, through retail, tourism, hospitality, supply, transportation, finance, construction and human resources since it formed in 1768.

The budget as released is atypical of recent ones in that it is highly technical, predictable and totally lacking in imagination. There was no mention in the presentation on same to tackle the malaise around Jersey's lack of growth and productivity and big opportunities were missed to correct this situation.

It was felt by some Members that many of the tax adjustments at a personal level were reasonable, although with no action on the issue of GST on imported goods below the current de-minimis level this was seen as a missed opportunity to raise taxation in a fair manner in that expected of local retailers. The temptation to delay this until possibly 2021, when the EU/UK may do so, is both uncertain and further extending the uneven playing field, which simply encourages online shopping, rather than supporting local stores. Treasury have confirmed that tax collecting methods and technology are in place to effectively administer a lower de minimis, but have failed to convince the Council of Ministers, who have neglected the local traders and contributed to the unfairness pressures on the High Street.

With no reversal or reduction or even review of the Retail Tax, the consequences of reduced new investment, great choice by inward investment in new concessions, greater spend in training and the danger of costs being passed to consumers, Members were disappointed that no further review of an uncompetitive 20% Retail Tax was undertaken. We understand until Treasury can review the value or damage that such a tax has had over several years, they are unwilling to alter this tax. This appears to be a wholly unsatisfactory and risky strategy for the Retail Sector to endure and adds to supply concerns that may occur through Brexit. Retailer have been and are willing to move to a 10% tax, comparative to Financial Services and competitive to investment, whilst maintaining a healthy contribution from the sector.

Some members felt the increase in Impot levels, unlike UK, was significantly inflationary leading to upward costs. It is uncertain who was consulted with on these rises.

One individual comment mentioned that what should have been central to the budget was a plan for growth and innovation to tackle the underlying problems of the economy rather than a sterile attempt to manage the predicted deficit in revenues against expenditure and this budget was more of the same but lacking any progressive new thinking

Within one Committee, their concern was with the poor quality of the questions requesting answers. It was conveyed that they are so generic that the quality of the responses they will receive is unlikely to be helpful.

Other key messages expressed to the panel were as follows:

We should be supportive of the substance law (subject to guidance) i.e. Government taking action to avoid us being blacklisted and doing it in a way which was engaging with the finance industry

The move to introduce a tax administration law is welcomed but this first step is far too focused on giving the tax office more power without providing any level of protection or certainty to tax payers – this is indicative of the general direction of travel of the tax office which is very one sided and problematic

Concern were raised about the financial forecasts. The recent FPP presentation was poor, and understanding how the income forecasting group operates, we seem to be in a continual cycle of underestimating revenues and making knee-jerk reactions to fill a deficit that never seems to materialise. They are forecasting again a significant deficit with talk of implementing cost cutting but also possibly tax rises. However, looking at some of the detail of the basis on which govt/FPP arrive at some of their conclusions seems fundamentally flawed. We have a diverse range of sectors (albeit one primary sector) but the financial forecasts seem to apply the same economic elements to the economy as a whole – to get more accurate forecasting the analysis should be more granular and apply relevant metrics to the individual sectors. Even further, the finance sector should be looked at on a sub-sector basis. Some of the stats they are using in concluding, for example, that productivity has decreased, is also flawed. To be fair it is not their fault if they are relying on surveys which will give them incomplete data, but they need to do something to improve their forecasting process otherwise we will see costs cut and tax increases when we may not need them.

Finally, GST. Before making a decision, they need to understand what the real financial implications are as at the moment the only stats they can give are the cost of administering a reduced threshold of £100 would only result in the £900k they will receive. However, they cannot apparently quantify what the impact would be of removing it altogether. I also think that there is too much discussion around the cost to the man on the street of removing the de minimis, which is negligible in a lot of cases – the primary reason that most people use the internet is range of goods and convenience and removing the de minimis isn't going to change that behaviour significantly.

We trust the comments collated are helpful to the Panel's Review and are grateful for you seeking the views of the Jersey Chamber of Commerce.

Yours Sincerely,

Murray Norton, CEO Jersey Chamber of Commerce.