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Finance and Economics, GST Proposals 17 November 2004
Maritime House, St Helier, Jersey, JE1 1JJ

for Senator T. Le Sueur

Goods and Services Tax

STATE / GREFFE REGISTERED	
25 APR 2005	
Secretary	

The JEP supplement and fuller consultation document invite comment.

1. Hybrid tax is preferred

a) To the extent that such a tax is voluntary - if you don't need a product, don't buy it - it may introduce some financial discipline.

b) JEP reports Monday 15th November that F&E "is minded" to do away with VRD and re-impose road tax (presumably by discs as before) as well as increasing fuel tax. With respect, road tax is a mistake. It would make more sense to stick with the user pays principle and increase the fuel tax more, rather than re-introduce road tax. The car owner who uses the road little (holiday auto-homes and vintage cars, for example) is unfairly penalised by an annual road tax. Taxing fuel relates exactly to road usage and the ability to abuse the system by not buying a tax disc is minimised. UK sources quote 30% of vehicles as being untaxed. Policing is costly. If the fuel tax has to be high, so be it - after all, it is cheap to collect as the mechanism is already in place and it is generally seen to be fair when the cost of tax discs elsewhere is taken into account.

When a competitive *comprehensive* public bus service eventually materialises, the fuel tax (with the public bus service taxed at zero rate) can be raised further, on condition that *every* household has access to it. I have outlined the need for inter radial route mini-bus facility before..

2. Exclusions

a) With obesity in mind, why not tax ALL processed sealed pre-packaged food and bottled drink (possibly including bottled water). This will encourage local farmers direct sales, since those that put vegetables in open bags would be exempted. Domestic science should be an important part of the school curriculum, for example, getting away from preprepared, processed meals.

Doctors, dentists and opticians, together with their prescriptions, should be excluded from GST. There should be *no other exceptions*, even fuel (see above). Low income groups will already be supported; there will always be a number who are financially irresponsible. Here, the Parish welfare system helps.

b) Your exclusion of smaller businesses and start-ups with limited turnover provides them with a better opportunity to provide competition when larger turnover businesses carry GST. Initially, such larger businesses will probably add GST to their already VAT equivalent pricing (despite Deputy Breckon's wish to name and shame). The sooner the Competition Regulatory Authority has some teeth and demonstrates strength, perhaps in conjunction with Deputy Breckon, the better. The present void simply will not do.

3. Enforcement must be tough. The UK C&E have powers of entry without warrant; the department responsible here would have to enjoy the same power. This might well help drug searches and other tax/criminal investigation. One might imagine poor Jersey fishermen selling their catches in France, paying into an undeclared French account and returning with little to sell. Disclosure to Jersey, under the European Savings Tax system, if it comes into force 1 July 2005, could be such an indicator.

Would a chat be of any value?

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