STATES OF JERSEY

EXPENDITURE PROPOSALS FOR 2012 AND 2013 AND DRAFT BUDGET STATEMENT 2011 (P.157/2010) – THIRD AMENDMENT (P.157/2010 Amd.(3)) – COMMENTS

Presented to the States on 6th December 2010
by the Council of Ministers

STATES GREFFE

COMMENTS

The majority of the Council of Ministers supports the arguments set out in the comments presented by the Minister for Treasury and Resources.

Accepting amendment 3 would reduce States income and increase the deficit each year. The table below shows the net financial impacts depending on the rate of GST that applies –

	2011 (7 months) £m	2012 (year) £m	2013 (year) £m
GST at 3%	2.7	4.6	4.6
GST at 4%	3.7	6.3	6.3
GST at 5%	4.6	7.9	7.9

Summary

A summary of the arguments that the Council of Ministers supports are as follows –

- GST exemptions would be an inefficient way to support those on lower incomes, since those on higher incomes actually receive more in cash terms from such a policy.
- There would be substantial administrative costs if this proposition is adopted.
  - The complexities involved with zero-rating food and domestic energy will increase both the cost of compliance for those businesses involved and the cost of administration for the Taxes Office.
  - These exclusions will also reduce the voluntary compliance rates by businesses, which so far have been very high at around 92%.
- A broad-based consumption tax like the current GST system has a number of economic advantages over a system with exemptions.
- There is a real risk in Jersey that some or all of the reduction in GST on food and/or domestic energy would not be passed on through lower prices.

The Council of Ministers is concerned about the impact of GST on the less well-off. They fully support the Budget proposals which, if approved, will protect the less well-off from the impact of proposed increase in the rate of GST.