



Corporate Services Scrutiny Panel
G.S.T. Personal Importation Review
Witness: Jersey Consumer Council

Wednesday, 16th June 2021

Panel:

Senator S.W. Pallett (Chair)
Deputy S.M. Ahier of St. Helier
Connétable A. Jehan of St. John

Witnesses:

Mr. C. Walker, Chairman, Jersey Consumer Council
Ms. T. Langdon, Executive Officer, Jersey Consumer Council

[14:00]

Senator S.W. Pallett (Chair):

Good afternoon, everybody. I just want to welcome Carl and ... well we are going to name each other in a minute, so we will go around. Normal rules apply, I think you have been in these before so ...

Chairman, Jersey Consumer Council:

Not in a public one but I have covered them, yes.

Senator S.W. Pallett:

Okay, good. Well maybe if I start from a Scrutiny Panel point of view. I am chairing this particular review on G.S.T. (Goods and Services Tax) importation, I am Senator Steve Pallett. With me I have got ...

Deputy S.M. Ahier of St. Helier:

Deputy Steve Ahier.

Connétable A. Jehan of St. John:

Constable Andy Jehan.

Senator S.W. Pallett:

I want to welcome you both. I know you both represent the Jersey Consumer Council, maybe if you, just for the record, could just tell us who you are.

Chairman, Jersey Consumer Council:

Indeed, yes. I am chairman of the Jersey Consumer Council, Carl Walker, and with me is our executive officer, Tina Langdon.

Executive Officer, Jersey Consumer Council:

Tina Langdon.

Senator S.W. Pallett:

Brilliant, okay. As you know, we are carrying out a review on G.S.T. personal importation and all the issues that that involves. We are keen to hear your views. I know you have already engaged with us by writing to us in terms of some of the concerns that you have already uncovered but we thought it would be good to get you in and just go through some of that background and have a better understanding of what your thoughts are around *de minimis* and various other issues around G.S.T. So, we are going to split the questions up, you are not going to hear my boring voice for the whole hour-and-whatever-it-is, so I am going to start off really with some general questions. Please could you outline your concerns regarding the Government of Jersey's ongoing review into G.S.T.? I know it is a very general question.

Chairman, Jersey Consumer Council:

It is. Yes, of course, we are happy to. There are a number of them and we kind of broke it down in our written submission to the Minister for Treasury and Resources and to yourselves into a number of key areas. One of those covers the fact that we were worried for the consumer, and consumers themselves were worried, about either large online retailers - and when I say "large", I mean global - who Jersey represents 0.00-something per cent of their global sales deciding it would be simpler to switch Jersey off than to try and change its computer systems or checkout baskets or whatever it might be to apply G.S.T. and then refund the Government. It would just be too much effort for them. Equally, we were concerned that very small businesses, niche businesses, predominantly based in the U.K. (United Kingdom) or within close proximity again would face the same issues, that it would just be too much effort for them. But these are people that supply not only perhaps hobbyists or

collectors but also special dietary foods or supplements or medication, et cetera, but we know now that the Government might have a solution to help tackle those. We were also worried about taxing a tax because, as we know, all of us as consumers trying to ... it takes a bit of effort to find a retailer, an online retailer, who will sell you that item without the V.A.T. (Value Added Tax) on it because we should not be paying V.A.T. from Jersey. But in those cases where people cannot get the V.A.T. removed, we would then be adding a G.S.T. to that, applying a G.S.T. rate to not only the core price of the item but also the V.A.T. as well, so we end up with a tax on a tax. So we asked the Government whether they would, in their approaches to all of these online retailers, ask them also or remind them the V.A.T. should not be applied here while they are applying the G.S.T., and I can come on to that a bit later if you wish. Then also there was just the whole general area of benefit versus cost. We initially asked the Treasury Department as to how much they estimated it would bring in and I think it was about £1.2 million we were quoted and we were worried or raised, we felt, a valid question as to whether that was worth the effort and worth risking all these other aspects that we had already highlighted.

Senator S.W. Pallett:

Have you had any feedback from Government, from Treasury, around the issue around taking the V.A.T. off and how they will deal with that with some of the retailers and suppliers?

Chairman, Jersey Consumer Council:

We have. We were pleased to be invited to meet the Minister for Treasury and Resources and 2 of her officers who were reviewing this and we have had, I think, 3 meetings with them to date. They gave us a guarantee ... well, initially the response when we asked them about approaching: "When you approach these retailers and ask them to apply G.S.T., can you remind them about V.A.T.?" initially their response was: "Well, that is not our problem. That is a problem for consumers to take up and that is something you, as the Consumer Council should be doing. We are trying to create a level playing field for retailers here, local retailers." While the Consumer Council is absolutely supportive of local retailers in the vibrant town centre, we can see why the Government wishes ... see the logic behind reducing G.S.T. to create that level playing field. We had to remind the Government that they not only represent local retailers, they also represent local consumers, and why were they prepared to ask for G.S.T. to be applied to make it fair for local retailers but not remove V.A.T. for local consumers? So after having that out with them over a period of time, we then received a guarantee that all of the online retailers that provided goods to Jersey were being reminded that V.A.T. should not be applied in Jersey. They also told us that they had done that a number of years previous as well via the British Retail Consortium as part of a review of G.S.T. and V.A.T. We asked for copies or evidence of that correspondence and also to be copied into the correspondence that was going out regards the G.S.T. but it was not forthcoming and we have tried a number of times for that.

Senator S.W. Pallett:

So have you got any idea about the breadth of retailers that they have contacted? Obviously there are the big ones like Amazon but obviously there are lot of companies that trade into Jersey.

Chairman, Jersey Consumer Council:

Yes. No, we do not. What they said is that they have identified the top 10 retailers that supply to Jersey. Again, we have asked for: "Who have you identified?" and they are not sharing that with us. We can all probably put our heads together and come up with them but it would be nice to know that somebody is not being missed. But also they are saying that they go via the British Retail Consortium, which seems to represent retailers but again I do not know how much attention retailers pay to that body when they are in the U.K.

Senator S.W. Pallett:

You mentioned those concerns, are there any other affiliated concerns - and I am thinking of things like Brexit and COVID - which you believe need to be accounted for when we are reviewing the current G.S.T. arrangements?

Chairman, Jersey Consumer Council:

We also felt that the timing of the proposed reduction in *de minimis* level was pretty poor because, as is reasonably well-accepted, G.S.T. is a regressive tax so it hits the poorer in the community harder than it does the more well-off. We felt that they had already ... I know that the Government had delayed the initial reduction in *de minimis* down from £240 to £135 but then still went ahead and implemented that and announced further cuts at a time when the economy was really recovering or about to come out of COVID. It seemed counterproductive in one sense that they were trying to get people out and about and the Island moving again but I understand that they were trying to perhaps force people to shop more locally, which is why they came up with the Shop Local card. So, yes, the timing certainly could have been better from a consumer perspective.

Senator S.W. Pallett:

One of my colleagues is going to deal with, I think, the tax as a regressive tax a bit later on in questioning but in terms of the review more generally, are there other areas that you think Government should focus on that from your understanding they have not included in this review? Or do you think it is fairly holistic what they are trying to do?

Chairman, Jersey Consumer Council:

It is a good question. The argument for always having a *de minimis* level was because the costs of collecting the tax cost more than the tax that was being collected. Originally it was £400 and then it

came down and it came down. We have also had extensive discussions with customs because there was a problem, a perceived problem, from Islanders and consumers that customs were holding on and collating people's deliveries in order for it to exceed the threshold and then apply the G.S.T. This turned out that it was not quite the case but they were treating anything which arrived within a 24-hour period as one order, even if you ordered it from 5 different retailers. I am sure the Constable has experience of that through his previous career ...

Senator S.W. Pallett:

Logistics role.

Chairman, Jersey Consumer Council:

... and logistical companies, exactly. But what transpired through those discussions with customs is that, yes, they are working within the spirit of the law because they could go further, but also they are having a great problem with the software that they use and which we as consumers need to interface with in order to release goods and pay goods. That is creating more of a problem and that needs drastic investment, we believe. So I do not know whether the Government might be putting the cart before the horse in trying to capture more G.S.T. but it still has not necessarily got the means to capture it and could create more of a backlog, but that is not our argument as such, that is just a personal view.

Senator S.W. Pallett:

So is your view that the current C.A.E.S.A.R. (Customs and Excise System for Administration of Revenue) system needs a complete review in regards to personal importation before we look to lower the *de minimis* or even remove the *de minimis*?

Chairman, Jersey Consumer Council:

It would seem absolutely sensible to do that before trying to capture more G.S.T. and increase the traffic load and to C.A.E.S.A.R. definitely.

Executive Officer, Jersey Consumer Council:

Yes, if I may add a point, that it is not a user-friendly system. I think from local consumers if you have used it a few times you get used to what is needed but you have to click and find out the right category that your product falls under now. From a business perspective it is much more complex and it causes frustrations. So, we have had people contacting us, letting us know that not only are they worried about the G.S.T. *de minimis*, but the frustrations they have got about not being able to get the support directly from customs themselves as probably customs are too busy dealing with the actual consignments. But often people need to have just someone to talk to, to be able to talk them

through every single process or click and so it would be very important I think to get the system reviewed definitely, and we have mentioned that to customs as well.

Chairman, Jersey Consumer Council:

We have. But to go back to your original question, Senator, as well; the other area where we were perplexed slightly was the actual reason being given as to why they were doing this review. Because the public-facing reason seems to be we wish to level the playing field. When you drill down into it, that does not necessarily seem to be the case and it is because: "Everybody else is doing it, so we will." It gets very complicated, and I will not pretend to try and understand it all, but once you bring into it Brexit and the impact of that, there were then changes to import and export duties and taxes, which means that if we do not do it, Jersey might be one of the few places that does not do it. But that does not necessarily mean that is the right thing to do but to publicly state: "Well we are levelling the playing field" felt disingenuous.

Senator S.W. Pallett:

I think the phrase "fast follower" of the U.K. has been used a few times; do you think that that is very much what has driven the change?

Chairman, Jersey Consumer Council:

Indeed, yes.

Senator S.W. Pallett:

In terms of the changes, what aspect of the changes do you think would be beneficial to both the Island and individuals? I suppose I could add "if any" to the end of that but do you see any benefit to what is being proposed?

Chairman, Jersey Consumer Council:

There is a commonsense benefit that it does not seem right that you can buy a pair of shoes online and then go and buy exactly the same pair of shoes here and have an extra 5 per cent tax on it. That is unfair on local retailers and therefore you can see the logic as to why the Government, if the software is there to capture the ... which goes back to the C.A.E.S.A.R. issue. If the software is there to get the tax, then get the tax, but that is still not going to create necessarily the level playing field or it is not going to save the town centre. I know this strays further now than what we are discussing but we have suggested a number of things which we think would be more beneficial to the local retailers than trying to attack the competition. That would be simple things, removing the barriers that people have to overcome to get into town, so it might be free parking on a Saturday or Sunday when the shops are open. It might be free bus fares on a Saturday into and out of the town centre. It might be looking closely or capping the rental per square metre for retail outlets, et cetera.

There are other areas where I think would be more beneficial that would help create a better level playing field than just trying attack the competition and in doing so risk turning it off operating in Jersey, therefore, creating an unlevel playing field for consumers because they can no longer shop online and they have to shop locally.

[14:15]

Senator S.W. Pallett:

I think what you are saying there is, if I am right, is that there should have been a closer correlation with the retail strategy and what that is trying to achieve and look at it in a holistic way rather than keep looking ... and do not get me wrong, I think there is work being done on the retail strategy trying to improve the experience in town but I think you are saying it does need to be looked at in a more holistic way.

Chairman, Jersey Consumer Council:

Yes, it could dovetail into it a lot better. It seems to be a separate workstream under the guise of creating a level playing field, so then it just raises the question yet again: is that the ultimate aim of lowering the *de minimis* or is it just because we have got the computer systems to get more tax so we are going to get it?

Senator S.W. Pallett:

Moving on to the next question. In your written submission to the panel, you highlighted that the additional G.S.T. is predicted to raise £1.2 million per annum. Can you confirm how that figure was reached?

Chairman, Jersey Consumer Council:

No, we were given that figure from Treasury when we ...

Senator S.W. Pallett:

Okay, so it is a Treasury figure that you have given us?

Chairman, Jersey Consumer Council:

Yes, absolutely.

Senator S.W. Pallett:

Okay. You have previously described G.S.T. as a regressive tax - and I mentioned before we were going to come on to it - that hits lower-income earners the hardest. How would you change the system of sales taxation to either mitigate this or remove the regressive element?

Chairman, Jersey Consumer Council:

Okay, that is a good question.

Senator S.W. Pallett:

That is a big question.

Chairman, Jersey Consumer Council:

It is. When we raised that issue with Government, with Treasury Department, they came back with the fact that this is not going to impact the poorest in the community because they are not the people that shop online. The majority of people that shop online are middle to high-income earners because they can afford to. So we challenged this immediately and we just think it is plain wrong. Now, the way they were coming to that conclusion was because they were looking at proportionately the percentage of money that you would spend online compared to somebody else. So if you were only earning £100 a week, you might only be able to afford to spend 5 per cent of your salary on online shopping, whereas if you have got a lot more in the bank, you might proportionately spend more. But we challenged that, said they should be looking at it just based upon who shops and not how much they shop online or what proportion, just the fact that they do it, so we felt therefore we were justified to call G.S.T. a regressive tax. I do not know what the solution is, if I am perfectly honest. You could go down the route of reducing G.S.T. from local retailers but then you are looking at then having to recover that money and therefore putting the G.S.T. rate up overall. We know that there have been unsuccessful attempts in the past to remove G.S.T. off food or off healthy food, so it is very complex and I would need some time to think and speak to the council as to exactly how you could perhaps better collect G.S.T. in a more fairer way from everybody.

Senator S.W. Pallett:

Well I have just stepped on the toes of my colleague Deputy Ahier by reading his question out, so I am going to hand over the rest of that section to him because I know it is very close to his heart.

Chairman, Jersey Consumer Council:

Fine, understood.

Deputy S.M. Ahier:

That is quite all right, thank you, Chair. How do you expect the removal of the *de minimis* level to affect low-income earners and what evidence do you have to support this?

Chairman, Jersey Consumer Council:

Okay, we feel that lowering the *de minimis* level will impact the lower earners because we know now that, and especially through COVID, more and more people turned to online shopping. So I think you had 3 types of consumer before COVID which were: people who were regularly shopping online, people who were afraid to do so. and those that would dig their toes in for maybe the occasional birthday present or Christmas present. Because of COVID and that inability to go into town or go to a local shop, more and more people shifted towards online, dipped their toe in a bit further and found that it worked and people were able to get goods delivered to their front door. So, that has accelerated that shift from retail shopping towards online and, further still, it is not just birthday presents and big-ticket items that people buy online now. There are people happy to buy food. If you speak to anecdotally, and the Constable may correct me here, but I know from previous discussions with Jersey Post, some of the biggest quantity-wise items that come in is pet food and nappies because they are so expensive here. So people are doing everyday shopping online, so therefore it has to impact more Islanders and those at the lower end of the scale because they might be doing their food shopping online. I know that there are pantry services that have stopped serving here but still people are buying food here and buying meals and ingredients for meals to be delivered over. They may be seen as luxury, I suppose, but there are alternatives to that coming through, so we do believe it will impact more Islanders. When you ask for evidence, although we were not asked by the Treasury Department to do it and did not want to necessarily be their tick box for public consultation, we invited the consumers to submit evidence as to how this might impact you. We, in the end went back to everybody that submitted evidence to us and asked them if they would be happy for us to share it with the Treasury Department. In the end it was in excess of 28 public submissions that we had, which might not be a huge number but it was still a significant number. We received feedback from Treasury officers that some of the case studies that we provided brought new issues to light that they had not yet considered about people that were falling between the gaps or they had not quite considered how ... they did not realise the impact that that would have on certain people.

Executive Officer, Jersey Consumer Council:

The submissions, just to let you know, they were from all levels of income earners, so it was very clear in the information we got that it was from buying very small items to larger items and how it would affect their income.

Deputy S.M. Ahier:

But the general concern is for the low-income earners. But we must not forget of course the Food Costs Bonus which was set up to compensate the low-income earners, so do you think that is high enough or do you think that could be changed in any way?

Chairman, Jersey Consumer Council:

I would not say that our general concern is for low-income earners, it was just the fact it was just badly timed. That was linking back into the badly timed because it does hit ... the Treasury Department were of the belief that low-income earners do not shop online or do not shop online as much as higher-income earners; therefore: "Okay, maybe you are calling it a regressive tax but do not attack us for the timing of it because these people do not shop online anyway so it does not matter when we introduce it." We completely challenge that. So that was kind of justifying why we challenged the timing of it rather than the fact that we are really, really concerned for the low-income earners. We are concerned for just all consumers; whether they have got a penny in their pocket or £1 million in their pocket, it is still the same principles.

Deputy S.M. Ahier:

Do you think that there were essential items such as food, sanitary products or clothing should be free from G.S.T. when personally imported? In certain countries like Australia and New Zealand, they have a list of items that are exempt.

Chairman, Jersey Consumer Council:

Yes. It is definitely something which we would like to explore further and consider but we know then you are opening that door to go down that V.A.T. route and they have backed themselves into a corner. It is that whole Jaffa cake question or a Digestive versus a Chocolate Digestive and you end up with a book of rules this big. The consequence of it is that you end up then with a G.S.T. rate going through the roof because it has got to compensate for everything because everybody has got a reason why everything should be V.A.T.-free because it is important to them. Whereas the argument was always: we keep a very low flat rate across everything and that is the reason why we do not need to have very, very complicated rules. So, yes, it would be great if you could buy some of those items G.S.T.-free but you would have to really carefully consider what the impact would be.

Deputy S.M. Ahier:

So you could go with the Minister's suggestion that it should remain at 5 per cent if possible?

Chairman, Jersey Consumer Council:

It would seem a simpler and fairer way of administering G.S.T.

Deputy S.M. Ahier:

Thank you. Should certain alleviations such as gift relief for parcels mailed from the U.K. be considered for G.S.T. administration?

Chairman, Jersey Consumer Council:

I do not know exactly the intricacies of that but I do know that there are issues with people sending stuff the other way and having V.A.T. applied, people sending gifts, people sending birthday gifts. There is an issue at the moment with people sending presents to people in Jersey and having to then declare and then people here having to pay the G.S.T. on it. While it is not necessarily something that is that wrong, what is happening is it is making people in the U.K. have to reveal precisely what they bought someone as a gift and how much they spent on them and it can be a bit embarrassing or awkward for them. I do not know the solution to that.

Deputy S.M. Ahier:

So would you advocate maintaining a *de minimis* level of say £50 so that all gifts would fall under that level?

Executive Officer, Jersey Consumer Council:

All gifts will not fall under that level. Many will but not all gifts would fall under that level.

Chairman, Jersey Consumer Council:

I think there has to be a degree of trust. If a retailer is found to be sending everything to Jersey wrapped in birthday wrapping paper to try and avoid G.S.T., then they are going to have to clamp down on it but I think there has to be a bit of common sense applied and a bit more spirit of the law if people are genuinely sending a birthday present to somebody.

Deputy S.M. Ahier:

Should luxury items be considered for a higher rate of G.S.T. in the future?

Chairman, Jersey Consumer Council:

Online or generally?

Deputy S.M. Ahier:

Generally but obviously for this purpose of importation.

Chairman, Jersey Consumer Council:

Again, because we are of the position that G.S.T. is a regressive tax, you would see that on the opposite end of the scale the more wealthier Islanders may be able to afford more of a contribution to tax. So, it could be that rather than reduce your *de minimis* level further, you could apply the same *de minimis* rate and level to all local shopping but crank up the rate at the higher end. So somebody buying a super car or a ridiculously expensive item for the home when there are much more affordable, you know, a luxury item, there seems to be some merit in that or common sense in that. It would need looking into. But that would be one way of creating a more level playing field

to an extent, is by taking the G.S.T. off everything at the same level that we are getting it online, then everybody can buy the same item without having G.S.T. applied. Then you really are giving local retailers the opportunity to attract ... there is one less reason why people might not want to shop online. The Government can then help them with some further incentives and then it is game on, it is a fair competition between the 2.

Deputy S.M. Ahier:

Thank you. Now I will pass over to the Constable of St. John.

The Connétable of St. John:

Thanks, Carl. You confirmed earlier that you have had discussions with the Minister and some of her officers.

Chairman, Jersey Consumer Council:

Yes.

The Connétable of St. John:

Have you personally met with the Comptroller of Revenue?

Chairman, Jersey Consumer Council:

Could you name that individual? Because I know the individuals, I do not know their names.

The Connétable of St. John:

Neither do I, do we know who that is?

Deputy S.M. Ahier:

Richard Summersgill.

Chairman, Jersey Consumer Council:

Richard, yes. We met with Richard, yes, a number of times.

The Connétable of St. John:

How would you describe your conversations with Government? Have they been productive?

Chairman, Jersey Consumer Council:

The initial discussions did not feel very much like consultation. We felt a bit more, to be honest, like we were being lectured; however, then a middle ground was found and since then we have worked

far more productively and we have understood a lot better what they are trying to achieve. I would like to think that they can also appreciate some of the points that we are trying to make.

The Connétable of St. John:

Do you believe the Government of Jersey has provided the necessary clarity to consumers regarding the review?

Chairman, Jersey Consumer Council:

No. No, they have not really. We are the Consumer Council and we do represent consumers and we do our very best. We have gone out to try and consult with as many Islanders as possible and we have a very representative council for Islanders but the Government has thousands more times resources than we have got to try and engage with people and perhaps could have tried a bit harder.

The Connétable of St. John:

You mentioned there about the top 10 and the Minister has stated her intention to get the larger companies to register themselves. How do you think this will affect consumers?

Executive Officer, Jersey Consumer Council:

We need to know who the top 10 are really. We cannot really give an answer without knowing the top 10 that they have contacted. Like we said earlier, we can only presume that Amazon is definitely going to be up there but who the other 9 are we can only guess, so it would be really good to have that information available. I think that is also being more transparent to consumers as well because they are able to then argue whether or not: "Well, no, I do not buy from John Lewis as much as ... you are saying they are the fifth biggest importer." So, yes, I think it is important to have that information.

The Connétable of St. John:

So what would your primary concerns be regarding this area of work?

Executive Officer, Jersey Consumer Council:

Regarding ...?

[14:30]

The Connétable of St. John:

Regarding the top 10 having to register.

Chairman, Jersey Consumer Council:

Well it is the risk that they switch off, it is just too complicated for them or they just cannot be bothered because Jersey represents such a small proportion of their overall business. That is the primary concern from them for us, for consumers.

Executive Officer, Jersey Consumer Council:

It is. The feedback we had from Treasury was that Amazon seem to have been very onboard and very open and welcoming to the whole idea. So that is great news, I suppose, that there is some work going ahead there but, again, the other retailers we do not know.

Chairman, Jersey Consumer Council:

But also we do feel if the Government has not, in its conversations with these top 10 retailers, reminded them that V.A.T. should not be charged here, it has just missed a golden opportunity which could have reduced prices for everybody shopping online. But I think I can see where their conflict might be because then they are creating a further unlevel playing field for local retailers. But, as we have said previously, we have given them some suggestions that can help balance that.

The Connétable of St. John:

You mentioned earlier about the challenges with C.A.E.S.A.R.

Chairman, Jersey Consumer Council:

Yes.

The Connétable of St. John:

What other key areas do you think the Government should focus on to ensure the compliance of multinationals?

Chairman, Jersey Consumer Council:

I do not really know, to be honest, Constable. When you say "multinationals", you mean as in global online retailers same as Jersey? Yes, we just feel it is fraught with risk. Again, we are working blind because we do not know who these particular retailers are and I think if the Government were to share those, then maybe consumers could give really useful feedback and information as to how they shop with a particular retailer and why they use them and that then may give us the answer to that question.

The Connétable of St. John:

You mentioned about the 28 submissions you had. What other consultation have you had with groups or individuals to understand their concerns regarding G.S.T.?

Chairman, Jersey Consumer Council:

We get called every day with problems from consumers that we try and resolve for them. In among that top 10, we published something in our end-of-year newsletter last year, within that there is always that issue of V.A.T. or G.S.T. or something like that. But what we did - we only have one part-time officer, a volunteer council, a chairman and we consulted as a council - we put together our response and then also pushed what we could out through social media, through our newsletter which goes to every single household, and spoken to any other kind of contacts that we had, to be honest. We did as much as we could, I am fairly confident of that.

Executive Officer, Jersey Consumer Council:

We would like to talk to the British Retail Consortium, that is also on our to-do list. We just wanted to see some of the correspondence that might have taken place prior to that but that is on the to-do list, is it not?

Chairman, Jersey Consumer Council:

Yes.

The Connétable of St. John:

Yes, that was my next question. Are there any other groups that you think you could talk to about collaboration between the U.K. and Jersey sales taxes?

Chairman, Jersey Consumer Council:

We did have a really good meeting with the Consumer Council of Northern Ireland because, to be honest, they were up to their eyes in Brexit and they have got some really serious challenges around that but they do apply V.A.T., but they are an island. Because one thing that we are also very keen to get to the bottom of, and I know it is a matter close to your heart as well, is retailers hiding behind or using the shipping costs as a reason why prices are where they are. So, we raised that with the Consumer Council of Northern Ireland, as well as speaking to them about is it the same V.A.T. rate, are there any other local taxes ever applied? Their challenge is more the extra postage that people will now apply for the U.K. for Northern Ireland. That is something that we are seeing here, is that certain companies are now not delivering to Jersey or the delivery costs have gone from a nominal £20 to something like £200. It would be cheaper for you to buy a seat on a plane and fly the item over, so that is closing some of that market out. I do not know the precise complexities as to why that is happening but it is obviously Brexit-related. But in terms of other bodies, we also had a meeting arranged with *Which?* magazine, which is obviously a fantastic consumer body in the U.K. Unfortunately their editor could not make that but we wanted to look at other areas there. There is no similar body in Guernsey and the Isle of Man do charge V.A.T. and then refund it back to the

U.K.; they have got a special arrangement there. So, I suppose that is the long way of saying no. Apologies, but we tried.

The Connétable of St. John:

Have you considered reaching out to the large retailers such as Amazon?

Chairman, Jersey Consumer Council:

Continually, because we have challenged retailers when, for instance, you look at your online streaming services that people pay for, they include V.A.T. and we have challenged why does Spotify, why does Netflix, why do those charge V.A.T.? You should not and we are a miniscule Island but we try our very, very best. We do.

The Connétable of St. John:

Have you asked Government for support in those discussions?

Chairman, Jersey Consumer Council:

No, because it is Government's, certainly the Treasury's, view in our meetings that we should be doing that ourselves: "You are there to represent the consumer; we are here to represent the retailers." We challenged that and felt that was incorrect. Yes, we have an annual budget of less than £1 per head of the population. I know every arm's-length body has its own reasons why it feels it is providing an excellent service but I think we are one of only a small number here that represents every single Islander, rich or poor, and we have next-to-no resources, to be honest.

The Connétable of St. John:

Thank you.

Senator S.W. Pallett:

Just following on from that, in your discussions with Treasury, did they make any suggestions around - and I am thinking more of some of the quirky specialist retailers - did they come up with any suggestions how they might be able to, through something that they could do from Treasury's point of view, whether it be exemptions or whatever, how they could persuade those companies to remove the V.A.T. and charge G.S.T. and go down that route?

Chairman, Jersey Consumer Council:

They have said that there is basically 3 ways of fixing this problem. One is you get everyone to agree and they all charge G.S.T., you get a retailer to do that. The other one is that you carry on with your existing system but you need to look at relieving the backlog at Customs, the stress they are under. The other one is appointing, I think they call them like liaison officers or agents who will

then be responsible for, say, 25 small retailers in the south-west or the north-west or whatever it might be, and they are there to help guide those niche retailers through the process of charging G.S.T. and then refunding it.

Senator S.W. Pallett:

Presumably a lot of that would be around assistance or support around technology because a lot of it is going to be around making sure their systems can cope, especially smaller suppliers?

Chairman, Jersey Consumer Council:

Correct. Yes, I suppose it is going to be quite labour-intensive upfront and then it will be some sort of system. But you can imagine a very niche retailer in north Yorkshire that might just have one customer in Jersey and is expected to send 5 pence a month back to the ... it is just not going to do it. It is just going to cost them more to ... there is a real risk, we feel, they are just going to stop. While, like I say, for some of those niche people it is a hobby and they are going to lose out quality of life and entertainment, there are those that rely on it for specialist medical or dietary requirements and you just cannot get the stuff locally, they do need those items.

Senator S.W. Pallett:

We are going to hand back to Deputy Ahier.

Deputy S.M. Ahier:

Thank you, Chair. Could you outline your ideal tax regime for goods imported into Jersey, including how V.A.T. should be removed and how you believe the Government should work to avoid double-taxing Islanders?

Chairman, Jersey Consumer Council:

There needs to be better awareness and education of Jersey's tax, V.A.T. should not be charged here. The Government's response, or agents' sometimes response is: "Well, it is not V.A.T. because you are not technically paying V.A.T. because the item is being delivered here, it is not going to the Treasury." So it starts to take you down a route of: is the Government, by not addressing this, allowing retailers to potentially defraud the H.M.R.C. (Her Majesty's Revenue and Customs) by charging us V.A.T. but then pocketing it? Because if you ran a business, that is presumably your golden opportunity to do that, not saying they are or they would, but why would you? Why would you write a cheque off to the taxman and say: "This is all the extra tax. We do not really need to pay you but we will pay you anyway"? They are just seen as a Jersey premium or a Jersey profit, so there needs to be much better awareness with local retailers. If they are going to supply to Jersey, they need to be able to clearly remove V.A.T. I do not know what the ideal tax regime is, or system is for consumers but I think just as long as it is fair and it is transparent and it is properly explained,

then people can make a choice, consumers can make a choice as to how they shop and where they shop and make better-informed decisions, I suppose.

Executive Officer, Jersey Consumer Council:

I was going to say, reducing the *de minimis* to below £135; £135 the council is generally of the opinion that we have accepted it has dropped from £240, as much as the timing was not great but people have accepted that now, that probably is the limit to stay at from our point of view.

Senator S.W. Pallett:

That is the feeling you get from the correspondence you have had to date?

Executive Officer, Jersey Consumer Council:

Yes, absolutely. The initial drop was taken really hard by many Islanders but they have got used to it now, and it is not going to change, it is not going to go up again, almost certainly. So, the idea is that by dropping it further it would be much harder on Islanders so leave it at the £135.

Chairman, Jersey Consumer Council:

Also that adds in the whole logistics side of things. The customs applying the law in the way that they do which is, if anything which arrives in that 24-hour period is collated as one order, but we have argued that that puts you at the mercy of the weather, for instance. It could be that you have ordered things ... and even the Minister for Treasury and Resources has said: "Well people can still order stuff a few days apart to spread it out" but it might be that they all arrive at the harbour in the U.K. days apart but a container needs to be full before it is put on a boat. Then that boat is delayed because of the weather or whatever and therefore another parcel gets dumped in because there is room, all your stuff arrives on the same day, and therefore you are paying G.S.T. on it. There are further complications that if you then decide, let us say at the moment the *de minimis* level is at £135 and your goods come in at £136. They are held up at customs, you are paying G.S.T. on those 10 items, one of them is faulty and you want to return it or you send it back, then the total value of the goods that you have got is below the threshold but you still pay the G.S.T. You cannot then get refunded for even the item that you sent back or the remaining items that you have kept hold of because there is a belief ... and I think it was £6-something. If the G.S.T. refund is less than £6, the customs will not bother refunding it because it just costs them too much to do it. There is too much paperwork.

Senator S.W. Pallett:

You make an interesting point there. I think you said that if a customer is getting multiple items arriving at one time, they are potentially being charged G.S.T. because they have gone over the limit.

Chairman, Jersey Consumer Council:

Yes.

Senator S.W. Pallett:

But presumably people are doing this from a number of suppliers but they are being treated as a one-off delivery to Jersey?

Chairman, Jersey Consumer Council:

Correct. Yes, you could buy 10 different items, all costing £10 from 10 different retailers in the U.K. on 10 different days, but by mercy of the weather and the traffic and whatever else, they all happened to end up on the same shipping container in Portsmouth and arrive in Jersey within the same 24-hour period, they are treated as one purchase and the total value of the purchase then, if that exceeds the *de minimis* level, you are charged G.S.T. on it and that is written in the law.

Senator S.W. Pallett:

That is interesting.

Chairman, Jersey Consumer Council:

But it has never been really picked up or noticed because I think, as the *de minimis* becomes lower, people's average spend on a birthday, or whatever it might be, suddenly exceeds that limit: "Oh, hang on" whereas before that £400, generally speaking, you are buying a TV it comes in under that, you are not going to notice. Then trying to get the G.S.T. back if you return the item is impossible.

Deputy S.M. Ahier:

How should the Government monitor companies who pocket V.A.T. costs by claiming it as a separate charge such as shipping?

Executive Officer, Jersey Consumer Council:

Well the term that is used is the "retail selling price". So the U.K. retail selling price is what U.K. firms seems to be using to be able to charge the same price whether it be London, Edinburgh, the Isles of Scilly or Jersey and that absorbs the cost of freight and delivery. So that is how they are getting away with ... and also the taxation.

[14:45]

That is how they are able to keep the price the same as it would be in London to us but then of course we would pay the 5 per cent G.S.T. as well on top of that.

Chairman, Jersey Consumer Council:

I do not know the actual solution but again the Government, we feel, has missed an opportunity here because it must have contacted all retailers that it knows supplies to Jersey. That is why we have asked to see copies of the correspondence about asking them to apply G.S.T. to see if they have indeed, although they have verbally given us that guarantee, just to see exactly how they have reminded online retailers not to charge V.A.T. because this was your way of capturing them all in one hit.

Deputy S.M. Ahier:

I am not so sure that they contacted all the retailers.

Chairman, Jersey Consumer Council:

No.

Executive Officer, Jersey Consumer Council:

But it would be nice to have that as well.

Chairman, Jersey Consumer Council:

Well they are hoping to capture the rest through the British Retail Consortium. So they think they have identified what they perceive to be the 10 big players, they have gone to them, then a few of the smaller ones, and then they are trying to sweep up through the British Retail Consortium. So, that was your opportunity to resolve exactly what you have just asked, which is how do we stop them or how do we remind them?

Deputy S.M. Ahier:

What legal and administrative requirements do you believe that we need in order to achieve changes to G.S.T.? What sort of administration problems might be encountered by changing G.S.T.?

Chairman, Jersey Consumer Council:

I think investment in this C.A.E.S.A.R. programme would be the solution that would presumably relieve a lot of burden and stress on the Customs Department and make things a lot more simpler for Islanders. Because at the moment consumers are being told that they have got an item at customs that they need to release by either an email, a text or sometimes even a letter. It does not seem to be a very uniformed way of dealing with releasing goods from customs; it could be a lot easier for people, we think.

Deputy S.M. Ahier:

Thank you. I will pass on to the Constable of St. John now, thank you.

The Connétable of St. John:

Thank you. You have spoken a lot about the potential impact on choice, which is really interesting. In your opinion, how should the Government consider and prioritise choice or attain choice?

Executive Officer, Jersey Consumer Council:

It is individual. Choice is up to the individual; they should have the choice. Consumers should not have to be limited to what choice they are able to make and that is the key, is it not? By changing the *de minimis* potentially we are limiting Islanders' choice and availability, certainly on-Island; choice is there for everybody.

Chairman, Jersey Consumer Council:

I suppose market dictates the choice in that sense. If somebody tries to sell something and it does not work they will think: "Well, we will not bother selling [whatever it is] here anymore because they want us to put 5 per cent G.S.T. on it and we only ever sold one in 5 years, there is no point."

The Connétable of St. John:

In your research, which jurisdictions have you identified that are seeing large retailers stop selling to them in response to charges?

Chairman, Jersey Consumer Council:

Right, so the only one really that we identified was Australia but that was a number of years ago. That was Amazon that literally switched Australia off and I think that was because Australia at the time was looking for regional state taxes to be applied. However, they were then able to resolve that and since then the differences here is that we have had Brexit and a better understanding of E.U. (European Union) and creating a uniform sales import tax, or something like that, that Amazon have accepted: "Well we still want a business here, we still want to make money, then we will conform and start to apply taxes according to postcodes." So that is the only actual evidence we found. We were careful not to state it would happen, we were just worried that this was a risk it might happen.

The Connétable of St. John:

What specific concerns do the Government need to address to encourage firms of all sizes to consider selling to Jersey regardless of tax regimes?

Chairman, Jersey Consumer Council:

To encourage retailers of all sizes. Well they need to make sure that the process of them having to refund ... well first of all they have got to make sure that the process of the consumer being charged the G.S.T. is simple, that it is applied after the deduction of V.A.T. There is no point a consumer adding something to their basket, G.S.T. being applied there, then going to checkout and remove V.A.T. and pay for your item because you have already had the G.S.T. applied to the V.A.T. So they need to make sure that it is fair and that it is simple for the consumer and they also need to make sure that the retailers themselves, the process of refunding the Government is simple and a heck of a lot simpler than it is for consumers to try and pay their G.S.T. online and get their item reduced. I cannot remember the question but there is a question on the C.A.E.S.A.R. system. The consumers are asked about a ... I cannot remember the exact question but it stumbles over it every time because people do not realise the type of item that they are importing, they have to find something from a drop-down menu and it is not there. I think that is more from a business side than a personal. So they just need to make sure that whatever system they are using for online retailers is nowhere near as complicated as that.

The Connétable of St. John:

Do you think there should be special consideration given to G.S.T. applied to goods imported into the Island by small local businesses in order to develop on-Island products?

Chairman, Jersey Consumer Council:

That is a good question. I know that they are able to be zero-rated for G.S.T. if their turnover is under a certain amount, I believe, so they can claim that back if they are super small. I do not see any harm in the Government incentivising local retailers, be that financially, to offer better service and better choice for consumers, absolutely. I am sure consumers, given the choice, if town was cheaper or their local shop was cheaper, they would rather go there and go home with the item in their car that day than order something and wait for it because there is always that risk then it is faulty, it does not turn up, you have got to return it, so absolutely.

The Connétable of St. John:

How should the Government seek to ensure that Islanders not only understand any changes made to G.S.T. but are also able to complete the necessary forms to deal with import tax issues?

Chairman, Jersey Consumer Council:

Well they have a vast communications team that needs to make sure it is carefully explained. We all go through 2 or 3 internet providers, I am sure there is a way of capturing everybody's ... messaging everybody somehow or reminding everybody that when they go online that: "This is now going to be applied and this is what it means and this is why." I think the Government also needs to explain better why it is doing it, that is what is missing. I think until it is explained, people will be ...

there is a risk Islanders or consumers will be angry and will be suspicious in the same way that we are to an extent as to what is the real reason why we are doing it. If an Islander was made aware that by paying an extra 5 pence a £1 on this, it means that we can employ X number more teachers or nurses, they might be more willing to accept that.

The Connétable of St. John:

You said that you had spoken to customs, do you believe there may be a requirement for additional resourcing at customs to provide clear, legible instructions for those who may require assistance?

Chairman, Jersey Consumer Council:

I think, yes. We are not here to try and push for ... we are desperate as it is. We are not going to push for more resources for other departments, bigger bodies, but from what we have heard, yes, customs is drowning in this at the moment.

The Connétable of St. John:

The last question from me, you will be pleased to know: how should resourcing account for older Islanders and perhaps Islanders with different challenges who may be unable to access the internet or use the required systems to seek advice?

Executive Officer, Jersey Consumer Council:

This is something that was brought to our attention by Islanders who contacted us that they can still order on the phone. So they do not necessarily do it online, they are able to order on the phone and get it imported. But then of course it gets stuck at customs and they do not have either the capability or the equipment to do it, so they probably have to get someone else to do it for them. That will only get worse if it is reduced.

The Connétable of St. John:

Thank you.

Deputy S.M. Ahier:

Thank you. What consideration do you believe needs to be given to the measures used to stop people from avoiding G.S.T. payments and do you think there is a problem with that department?

Chairman, Jersey Consumer Council:

Well, even the Minister for Treasury and Resources herself in the States Chamber has said that Islanders can just spread their shopping so that stuff is not collated, which is in direct conflict with advice that customs officers gave us to pass on to Islanders because they will actively stop ... and it is absolutely right. If you were a builder ordering 10 pots of paint and you ordered them separately,

you are deliberately trying to avoid paying that tax. Whereas the other instances I was saying earlier, if you just buy 10 particular items for a birthday, you are not trying to avoid tax, you just bought them from 10 separate retailers. So there definitely needs to be some more clarity around that for sure. The law is there, if somebody is deliberately found to be doing that, I am sure they will be prosecuted. How many have ever been, I am not sure. It may be an interesting statistic. It might be a bit like the: "How many dog owners have been fined for dogs found on the beach or being let off the beach?" and it is one of those things that is there as a warning but is it ever enforced? I do not know.

Deputy S.M. Ahier:

What sort of punishments do you think would be appropriate for those sort of crimes?

Chairman, Jersey Consumer Council:

I do not know. I am not sure that is for us to answer really, is it? I am sure there are tables set out in the law that will fine people, and I am sure customs do seize goods every so often that are not paid or if they had been imported illegally.

Deputy S.M. Ahier:

What alternative tax approaches would you recommend the Government utilises to encourage more High Street spending and purchases from local suppliers which benefit consumers?

Chairman, Jersey Consumer Council:

Well, we suggested to the Government, we were approached twice during COVID, one was during the economic stimulus programme, and I forget what the second one was called, but they were basically quite similar. One was where we suggested ... there was a fear that how did they get Island consumers back off out of their armchairs and putting their phones and tablets down and back on to the High Street or back into spending money. So we suggested a voucher scheme, and initially suggested for the hospitality industry and tourist attraction industry, because we looked at something similar in Malta where they had literally given everybody cash. I think they had given everybody 50 euros or 100 euros and many of the islanders simply banked it and they would not have the effect that it was hoped. So we set a voucher with an expiry date on it that forced people out and got people back into spending money with the staycation offers in a tourist attraction. That then evolved over discussions and other people came into the discussion about a Spend Local card or just a general voucher for the whole Island but there were concerns at the time about how could they implement that, it would be very difficult for them. We reminded them that there is a wealthy Islander who provides vouchers for the pensioners every single Christmas, so it can be done if they just thought about it a bit better. So then we ended up with the Spend Local card, so we were proud to be involved in the birth of the concept of that. But in the second workstream, directly to the Chief Minister, I think it was, we had been asked for other incentives as to how consumers could be

encouraged to come back out. Obviously you had your education about COVID and the safeties and the securities around going into crowds again but further it was back to those suggestions we made about removing the barriers. The only barrier to me spending an item online is: has my phone got battery and am I connected to the internet? We have created an Island with some of the world's fastest fibre network, we have opened the doors to online shopping, it is lightning fast. Whereas for me to go into town, I have either got to get in the car and drive round and round a car park looking for a space, where am I going to park? Then get into town. I know they have introduced different payment methods now but scratch cards still: have I got time? Clock watching, I need to get out, I cannot spend a bit more, cannot really browse. Or I have got to wait for a bus, get a bus, is there going to be space on the bus? What is that journey going to be like? So remove some of those barriers, get people into town. We work closely with the town centre manager. There is a new town centre manager in place; we have worked in the past with others to try and support and help bring Islanders into town and consumers into town. Because while the Consumer Council is always looking for good value for Islanders, it does not want to see - in the same way that the town centre manager said previously - we do not want to see a town centre full of coffee shops and couch shops. There needs to be a vibrant town centre, there needs to be a local economy.

[15:00]

I think we can all play a part in achieving that and the Government can play a key role in removing some of those barriers. Also there is the retail tax enforced. We were quite supportive, carefully supportive, because of the position that we were in, but we were supportive of local retailers when they approached the States about not introducing, I think it was, a 10 per cent retail tax which again further puts them at a disadvantage compared to online retailers. So they are still already paying, dependent upon their profits. I am sure they are employing very clever accountants to try and minimise the amount of the retail tax that they have got to pay but they are paying that and the Government would rather attack the competition than get their sleeves rolled up and work more with local retailers.

Senator S.W. Pallett:

I am just conscious of the time, I have just got a couple of extra questions, and they will be quick, I am sure. You just mentioned extra costs for the High Street, and we have all enjoyed using the High Street over many generations, and it has changed and it will continue to change. It is a potentially contentious question but, do you think there is a risk of some protectionism here if we are not very careful and we are risking that free market?

Chairman, Jersey Consumer Council:

Protectionism of the High Street?

Senator S.W. Pallett:

Yes.

Chairman, Jersey Consumer Council:

Some people could argue that but I do not see that as a problem. I do not see why Jersey cannot want to protect its High Street. I think as long as it is fair and as long as consumers have a choice, I do not think there is anything wrong. I think the Government or the Island could be very proud of the fact that it has protected its High Street because that is a heck of a lot more than some other town centres have done. They have allowed themselves to be swallowed up by regional shopping malls, yes.

Executive Officer, Jersey Consumer Council:

There have been several victims of COVID. It is obvious down the High Street, there are a lot of empty shops, sadly, which people do not want to see. But again we came up with ways of shops being filled with the local entrepreneurs and not having to pay the rent that is set, just saying: "Right, for a month you are able to borrow this space" and then you get the local entrepreneurs in and local producers and it gets people back in because there is no longer an empty shop.

Senator S.W. Pallett:

Yes, it has very much changed our retail experience, which I think we touched on previously. Do you think there is an element here where the cost benefit of reducing or taking the *de minimis* off does not warrant the change?

Chairman, Jersey Consumer Council:

Yes, 100 per cent.

Senator S.W. Pallett:

That is a simple one. Last one, I think, from all of us is: do you think the online businesses generally are prepared for the change or do you think that some are going to struggle?

Chairman, Jersey Consumer Council:

I think whatever has gone on in the E.U. has enforced a certain amount of change, so I think this is Jersey piggybacking a big change that is happening already rather than Jersey trying to go it alone and lead the way. If that was the case, these risks would be tenfold, so I think we are piggybacking some things, so then that brings us back to that question of why? Why are we doing it? Why are we making it harder? Why are we risking all these things just because everybody else is doing it? Can we not come up with something a bit better?

Senator S.W. Pallett:

We have not got any other questions. Is there anything you want to add?

Chairman, Jersey Consumer Council:

No, thank you, I have made all of my key points, I think.

Senator S.W. Pallett:

It has been pretty comprehensive, I think, in terms of what we have gone over.

Chairman, Jersey Consumer Council:

Yes, apologies, if we have gone on a bit.

Senator S.W. Pallett:

Well, can I thank you both for coming today. It has been an interesting ... you have given us some really interesting insights into what local people believe and think and their views, and yours as well, which I think are going to be very useful to the review, so I want to thank you for that. I call today's public hearing to an end. I want to thank my colleagues as well for taking part today and obviously all the officers that have helped us in preparing for today as well. So, I wish you a good afternoon.

Executive Officer, Jersey Consumer Council:

Thank you very much.

Chairman, Jersey Consumer Council:

Thank you and, likewise, it has been a pleasure.

Deputy S.M. Ahier:

Thank you.

The Connétable of St. John:

Thank you.

[15:04]