

# STATES OF JERSEY



## **GOVERNMENT PLAN 2020–2023 (P.71/2019): TENTH AMENDMENT (P.71/2019 Amd.(10)) – AMENDMENT (P.71/2019 Amd.(10)Amd.) – COMMENTS**

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**Presented to the States on 22nd November 2019  
by the Council of Ministers**

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**STATES GREFFE**

## COMMENTS

Deputy K.F. Morel of St. Lawrence proposes the following in his amendment [P.71/2019 Amd.\(10\)Amd.](#) –

**1 PAGE 2, INSERTED SUB-PARAGRAPH (a) –**

Before the inserted sub-paragraph (a), for the words “except that”, substitute the words “and that”; and in the inserted sub-paragraph (a), for the words “in Summary Table 1 the total income from ‘Goods and Services Tax (GST)’ should be increased by the sum of £712,500, by increasing the rate of GST levied on luxury cars (defined as those with an import or retail value over £30,000) to 10%”, substitute the words “in time for 1st January 2021, the Minister for Treasury and Resources be requested to bring forward plans to levy an increased rate of GST of 10% on heavy domestic cars (defined as those with a weight over 1,950 kg.)”.

**2 PAGE 2, INSERTED SUB-PARAGRAPH (a) –**

Delete the words “, with the additional income transferred to the Climate Emergency Fund”.

**3 PAGE 2, INSERTED SUB-PARAGRAPH (b)(vii) –**

After the words “installation of” insert the words “air and”.

**The Council of Ministers opposes this proposal and urges States Members to reject the amendment to the tenth amendment.**

This proposal [as well as [P.71/2019 Amd.\(10\)](#)] is premature whilst Jersey is in the process of developing proposals that respond to the climate emergency.

Jersey’s GST regime operates as a low, broad and simple regime, in line with our agreed Tax Policy Principles. All States Assemblies to date have maintained and supported the principle of maintaining a simple, low rate of GST. Introducing differential GST rates into a low-rate, broad-base regime, complicates that regime and is unlikely to have a significant impact on behaviour because the base rate is already low.

**Part A – 10% GST heavy domestic cars**

This amendment to the tenth amendment expresses concern over the “damage” that heavy domestic cars pose to the environment. Heavy domestic cars are defined as those with a weight over 1,950 kg.

Whilst the measure would raise revenue, the Council of Ministers does not believe that a higher GST rate on heavy cars is the correct way to address the issue of polluting vehicles. For example, many high-performance sports cars would escape the charge (the Porsche 911 turbo has an unladen weight of 1,700 kg.), and some low-emission, electric vehicles would be penalised (the Jaguar I-Pace Electric has a curb weight of 2,100 kg.).

## **Part B – amending the proposed list of zero-rated environmentally-friendly products**

The amendment to the tenth amendment adds a category of heat-pump (which was “overlooked” from the original amendment) to the list of carbon-reducing technologies that it is proposed should be subject to a zero rate of GST.

The Council of Ministers applies the same principles to this heat-pump as apply to the items contained in the tenth amendment.

Jersey’s low 5% rate of GST means that GST is not the strong fiscal lever that it might be in countries with higher GST/VAT rates (such as the UK with a standard VAT rate of 20%).

Removing GST from the cost of products potentially reduces prices by only 4.8% (5/105 of product cost). There is no evidence that this modest reduction in cost will incentivise the uptake of environmentally-positive measures which is the assumed driver for this amendment.

There is no guarantee that suppliers will pass on the GST reduction to consumers. Sales prices may remain unchanged, allowing suppliers to retain the GST as a saving.

In summary, this amendment to the tenth amendment seeks to introduce a new higher GST rate for heavy domestic cars in January 2021. Over the next year (and in the run-up to January 2021), Revenue Jersey and officers from Environmental Strategy will be working together to identify possible grant funding initiatives, and the development of environmental taxes that should influence the behaviour of consumers on environmental matters. This is where the emphasis of officer resources should be focused.