

Oral Questions

2.1 Deputy S. Pitman of St. Helier of the Minister for Treasury and Resources regarding the cost to the States of implementing and administering the Goods and Services Tax:

Would the Minister inform Members what the cost of implementing G.S.T. (Goods and Services Tax) was to the States and outline the ongoing costs of administering this tax?

Deputy E.J. Noel of St. Lawrence (Assistant Minister for Treasury and Resources - rapporteur):

The cost of implementing G.S.T. will be in the region of £2.5 million which was agreed in the budget covering all costs incurred from 2005 to date. The ongoing costs for administration by Income Tax and Customs in 2008 was around £750,000. This includes direct staffing costs and all other related expenditure. In the full year these costs are expected to be in the region of £1 million.

2.1.1 Deputy R.G. Le Hérissier of St. Saviour:

Given the Assistant Minister's commitment to public sector reform and cutbacks, would he outline to the House what steps he has taken thus far to reduce those costs?

The Deputy Bailiff:

The costs of what, sorry?

Deputy R.G. Le Hérissier:

Administering G.S.T. Thank you.

Deputy E.J. Noel:

The simple answer to that is that there is no anticipated reduction in those costs. The costs of £1 million per year to raise £15 million in tax is 2 per cent of the tax raised, which is one of the most efficient rates in the world to date. The only thing that is more efficient is impôts duty.

2.1.2 Deputy G.P. Southern of St. Helier:

Is it not the case that in order to make this particular tax even more efficient, all he simply has to do is raise the rate and is that not his intention, or his Minister's intention, to do sooner or later?

Deputy E.J. Noel:

It is not my intention, nor the Minister's intention, to raise the rate of G.S.T, certainly at this time. The House has already been given an undertaking that G.S.T. will not change in the rate until 2011.

2.1.3 Deputy G.P. Southern:

I believe that assurance, which was given to the House, was given under the condition that circumstances do not change and substantial changes are not made to the G.S.T. law. Is that not the case?

Deputy E.J. Noel:

I believe that certainly is the case. If changes are made to our current simple G.S.T. legislation then obviously the tax lost will have to be recovered. If the proposed

proposition that we are debating next week is approved, then we will lose some £6 million in tax revenue for an additional cost of 20 to 30 per cent on our annual cost of collecting G.S.T.

2.1.4 Deputy R.G. Le Hérisier:

The Minister says that it is a very efficient tax but the amount collected, is that an indicator of efficiency? What about the internal efficiency within the department, would he describe how that is measured?

Deputy E.J. Noel:

I am afraid that that is a question I cannot answer at the moment because I do not have the relevant facts to answer that. I am assured that the Income Tax Department is run, in particular with G.S.T., extremely efficiently with only some 5 members of staff.

2.1.5 Deputy G.P. Southern:

Will the Assistant Minister come to the House with a statement about the internal efficiency of the Income Tax Department? While he is on his feet, will he also state that while this tax is an efficient tax - there is no doubt about it - it is also a grossly and manifestly unfair tax in that it impacts most [**Approbation**] on the lowest paid?

Deputy E.J. Noel:

Firstly, I am happy to give an undertaking that I will approach my Minister to get that information and bring it back to the House. I refute the Deputy's second point because it is not only an efficient tax it is, the way it is structured, a progressive tax with the Social Security rebate and with the reforms that Deputy Le Fondré brought forward has changed what was a regressive tax into a progressive tax.

2.1.6 Deputy G.P. Southern:

Will the Minister come to the House with the argument that suggests that the tax, as structured, is in any way progressive? Because I believe he is misleading the House.

Deputy E.J. Noel:

I am quite happy to come to the House with evidence to show that G.S.T. as it stands, and with the systems in place to protect the less well-off in our society, is indeed a progressive tax.

2.1.7 Deputy S. Pitman:

Does the Assistant Minister have evidence to back up what he has just said in that next week, if we go ahead with this proposition, we will lose £6 million, and does he have any research for any other options that could fill that hole? Like 1(1)(k)s who should be paying their proportionality of tax.

Deputy E.J. Noel:

There are many other ways of raising taxes but my Minister - and I endorse it - has given an undertaking that in this term we will not seek to raise additional taxes other than those already agreed by this House in connection with the environment. So, although there are always ways of raising taxes, at this moment in time with our economic climate, the preferred route is to leave G.S.T. as it is.