Minister for
Treasury and Resources

Government of JERSEY

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Senator Steve Pallett
Lead Member on this Review
Corporate Services Scrutiny Panel
By email

2nd of September 2021

Dear Senator Pallett,

Goods and Services Tax - Personal Importation Review

Thank you for your letter dated the 27th of August and also for letting me know about your revised plans for scrutinising the proposals which I shall be making in the draft Government Plan 2022-2025.

Please find my answers to your questions below.

- **What information on retailers and providers and their approach to Personal Importation has been used by Revenue Jersey, and can this information be shared with the Panel?**
  The Review Team has been able to examine existing Revenue Jersey and Customs data and information on individual offshore retailers but this is largely taxpayer-confidential.

  Additionally, the Comptroller has made enquiries of the "top ten" retailers about their approach to UK VAT and pricing for the Jersey market. That information is also confidential but you will see the aggregated (anonymised) results of that work in the Report and it is relatively easy for anyone to establish this for themselves in respect of individual offshore retailers. (I have also mentioned it on the public record in the States Assembly.)

  I am sure that the Comptroller of Revenue and the Agent of the Impots would be happy to brief you further on any specific areas of interest within the bounds of their Oaths of Office.

- **What submissions have been received by Revenue Jersey from external stakeholders for this review, and can these be shared with the Panel?**
  Very few formal written submissions have been made to the Review Team and not everyone invited to engage has yet taken that opportunity. The Team has largely engaged stakeholders in conversation direct and expects more businesses will engage on matters of detail once the draft legislation is lodged and the begin to discuss the detail of any changes to import procedures (during the remainder of 2021 and through 2022).

  Where written submissions have been made, this has been in response to business-specific matters and cannot be shared with you. I imagine that those retailers who have engaged with the Review Team would be equally inclined to respond to your call for evidence and you may wish specifically to approach some of the larger retailers and local businesses involved in forwarding post and parcels.

  If helpful, the Comptroller is happy to seek permission from some of the businesses involved to share apposite contact details so that you can, if you wish, invite submissions. We understand that you may have already received submissions from some stake holders and it would be useful to know from whom, so that the Comptroller does not approach those people again.

- **Were any findings and recommendations developed in consultation with external stakeholders during this review that have not been presented in the report?**
  No findings and/or recommendations have been developed with external stakeholders during this review and the Report represents a full account of the scope of the Review to date. More engagement with Stakeholders will be necessary once we have draft law ready to share with them (there is a good deal of detail to be discussed). A couple of local businesses have raised issues with existing import procedures.

  However, I am not really sure what you have in mind here? The Comptroller would be happy to discuss any concerns on this front with you direct if you would like to provide further detail.

- **What is the reasoning behind a one-year notice period being considered for legislative changes, and the need to alert offshore retailers? Was this a key concern raised during consultation with the external stakeholders?**
  It is common practice with tax changes – especially affecting businesses - to give taxpayers sufficient notice to adjust to proposed changes (eg to business systems) and, where appropriate give “legislative cover” to authorise expenditure on expensive changes (for example to IT, billing and tills systems). I understand that this was specifically raised by a number of businesses and this is mentioned in the Report you have seen.

As an example, various changes to the way contributions are to be handled by employers and self-employed people were enacted in the Finance (2020 Budget) Law 2020 but will only shortly be activated by an Appointed Day Act, to take effect in 2022. This allowed employers and payroll providers to make changes to their systems with the high degree of certainty that they (and in the case of corporates, their shareholders) would demand.

I cannot over-stress the need for a period of engagement with freight forwarders and carriers (such as Jersey Post) to handle a number of detailed technical issues which are peculiar to them in the content of a small island nation heavily dependent upon imports. We need to manage the changes in a way that facilitates the movement of goods and avoids the need for many more goods to be detained or warehoused on account of any changes we make.

- **Have any methods of working been discussed with relevant stakeholders, and if yes, can you provide the Panel with any details? In addition, have you received any response in regard to methods of working, and if so, can these be shared with the Panel?**
  We have not, as I understand things, received a great deal of lobbying on “methods of working” so far although more may come when we expose the draft legislation. We are mindful, as I say above, of the need for further engagement on the technical aspects of these changes, and in particular to facilitate the movement of goods by freight-forwarders and carriers. This again argues for making legislation to ensure that people have the impetus to engage in such discussions and to provide legislative cover for necessary expenditure.

  There will be much for Customs to do in the implementation phase during the remainder of 2021 and during 2022 (assuming States approval of the measure) to make ready for the changes in 2023.

  It is worth saying that some businesses do already account for GST by voluntary registration so the systems and procedures for identifying GST-paid goods on importation are not entirely new or strange to local businesses involved in the movement of goods. Registration for GST is by far the best way to ensure the smooth movement of goods into Jersey but we also want to see businesses optimise the use of manifests.

- **What consultation has taken place between Revenue Jersey and Royal Mail? Has this included discussion on separating the cost of items and delivery costs, and what have been the results?**
  There has been no direct consultation between the Review Team and the UK’s Royal Mail. As I believe the Report (which you have seen) indicates, Royal Mail and Jersey Post have been discussing issues around the manifesting of postal items. If the Royal

Mail does begin to manifest the goods it sends to Jersey then this will significantly improve the ability of Customs to manage that workstream.

- **How do you intend to appropriately resource Revenue Jersey to facilitate changes to GST? Will this include additional funding from the General Reserve and new FTE's, and, if so, how much?**
  The changes proposed are unlikely materially to affect Revenue Jersey resourcing because of the simplicity of our GST system. It will impact Jersey Customs & Immigration Service which will need some additional resources to manage a potentially-lower De Minimis Level.

  I will address that matter in my proposals but the expected costs are set out in the Report and lead us to expect a return on further investment of around 5:1. This is a good return at the margin of collection of GST and was actually what was forecast for a De Minimis Level of £135.

  I should stress – as I have always done – that the De Minimis Level is not an allowance (which would be unlawfully discriminatory) but purely a Value-for-Money measure.

- **Could you please provide a breakdown on the perceived return on investment that will arise from changes to GST? What financial benefits will be incurred?**
  The potential administrative costs and Exchequer benefit (in terms of additional GST raised) of this measure are as set out in the Report you have seen. There is not really much to add to that but the Agent of the Impots is happy to provide more information on the base calculations if you are interested to see it. The estimate is based on the assumption that the GST De Minimis Level might reduce from £135 to £60 in 2023. (I have so far indicated that the De Minimis Level may fall to somewhere in the region of £40 to £60: it is the view of senior officers responsible for this matter, that the level ought for now to be set at the higher end of that range.)

  While the Report you have seen forecasts additional GST of around £1,482,000 for 2023, the Comptroller is having data peer-reviewed. That estimate may yet prove conservative depending upon trends in online shopping and towards greater manifesting of postal importations.

  It is worth saying that the Exchequer benefits are estimated as the additional GST we would receive from extending the scope of GST in the way proposed by reducing the GST De Minimis Level. Additionally, there is the unquantifiable benefit of protecting the tax base from the further take-up of online shopping by islanders post-Covid although, to a degree, that will simply reflect displaced taxable sales by domestic retailers. It is also likely that more GST will be captured than hitherto by those retailers who do register for GST and by greater manifesting.

- **Have there been any increased costs to Revenue Jersey or Jersey Post that have arisen from the current approach to the GST de minimis that have not been passed onto taxpayers or customers at Jersey Post?**
  The cost of operating the current De Minimis Level of £135 since October 2020 was set out in Part 3 of the Government Plan 2020-2023 with costs falling solely on Jersey Customs & Immigration Service. I am not able to speak for Jersey Post.

- **Will future changes to GST result in additional costs for Jersey Post? Have these been considered as part of your review?**
  I am not able to speak for Jersey Post. It will be for businesses involved in importing goods into Jersey to consider whether these changes give rise to additional costs for them and to plan for this change (hence the need for the certainty provided by legislating this year).

  Potential compliance costs for businesses are addressed at Paragraph 28 of the Report. Compliance costs for offshore businesses are likely to be limited to the computer changes needed to charge Jersey GST and remit it to the Jersey Treasury. There are likely to be some additional costs for carriers depending upon the administrative requirements established to implement the changes and potentially offset by accelerated clearance of more goods where GST has been taken at the point of sale.

  I must stress that the compliance costs of having a GST system which remains low, broad, simple and fair are both inevitable and unavoidable. No compensation was offered to businesses when GST was introduced in 2007 and will not be on this occasion given that this is simply an extension in the scope of the tax to deliver greater equity and to protect our tax base. The businesses involved will, of course, have the cash-flow advantages that GST registration brings.

I do hope you find this information useful. The Comptroller of Revenue and the Agent of the Impots would be happy to help you with any further points of detail and to address any issues raised in the submissions you receive from stakeholders. Please feel free to approach them directly.

Yours sincerely

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