

3. Questions without notice - The Minister for Treasury and Resources

3.1 Senator B.E. Shenton:

It has been indicated that once Jersey Telecom is privatised, the pensioners will lose their line rental discount, as it is not commercially viable. What is the Minister's opinion of this?

Senator T.A. Le Sueur (The Minister for Treasury and Resources):

I think irrespective of whether Jersey Telecom is sold to a private competitor or not, Jersey Telecom has the requirement to act on a purely commercial basis. If they chose to give discounts to particular users, whether that be for age or for large volumes of transactions, that is a matter for the business plan of the company as a whole, and it should not be for Government to interfere in the individual details of that business plan.

3.2 Deputy G.P. Southern:

Does the Minister agree with the figures produced on P.109 of the Interim Report, Goods and Services Tax Review by the Scrutiny Panel that the annual bill for a single-parent family due to his G.S.T. taxation measures will be over £500 for a family in the lowest quintile? The poorest families in the land will be paying an extra £502. Does the Minister agree with those figures?

Senator T.A. Le Sueur:

They are not figures that I have produced, but I have no reason to disagree with them. I think they are probably a realistic estimate of the annual bill.

3.3 Deputy G.P. Southern:

The Minister, at his presentation to Members recently over his G.S.T. proposals, seemed to agree with me that the increase in money going towards the Stabilisation Fund and the 'Rainy Day' Fund would be difficult to achieve over the coming years, because we are about to hit the black hole and see deficit in our revenues. Would the Minister care to agree or disagree with that statement publicly?

Senator T.A. Le Sueur:

I did not fully understand the question, I am sorry.

3.3.1 Deputy G.P. Southern:

It was a budget statement, and he seemed to agree with me that it would be hard to create a Stabilisation Fund and to increase the amount of money in the 'Rainy Day' Fund, because at the moment, we are about to hit the black hole and we are going to see revenue deficits. Would he agree with that statement? It is going to be very difficult. I will not ask him to repeat "pie-in-the-sky" but it will very difficult. Where is the money towards these funds going to come from?

Senator T.A. Le Sueur:

Yes, I agree with the Deputy. It will be difficult; that is not to say we should not try to aspire to achieve it and that would be for States' Members to decide whether they wish to spend money today or to put some into a Stabilisation Fund. It ought to cover the likely downturn in economy, which will happen at some stage in the future, I know not when.

3.3.2 Deputy G.P. Southern:

Where is the money going to come from?

Senator T.A. Le Sueur:

Any money will come from general States' revenues, with the money in a Consolidated Fund, which is up to the States each year to decide whether at budget time they wish to transfer from their fund any monies into the Stabilisation Fund.

3.4 Deputy R.G. Le Hérissier:

Since he referred to the Consolidated Fund, can he tell us how much is there at the moment?

Senator T.A. Le Sueur:

Not at the precise moment, but at the end of 2007, it is estimated to be £32 million.

3.4.1 Deputy R.G. Le Hérissier:

Although they have not been openly discussed, as such, could the Minister give us his view on the role of flat taxes, which apparently are no longer as attractive as they were a few years ago?

Senator T.A. Le Sueur:

My view on flat taxes is that they are in principle a very good and simple way of dealing with a complicated, or potentially complicated, tax system. The difficulty with any such concept is that while they are good in theory, people start to try to tweak them in practice, and it is the additions and imperfections which then undermine the quality and validity of the general principle.

3.5 Deputy G.P. Southern:

Also, at the budget meeting yesterday, I questioned the Minister concerning why there were no projections towards the year 2013 and that we only had a 5-year projection, and asked him whether he was going to produce such projections. Can he state publicly now whether it is his intention to produce such projections with whatever caveats he needs before the budget debate, because I think it is important?

Senator T.A. Le Sueur:

The States' strategic policy is that we should have balanced budgets over a 5-year period and it is introducing 5-year forecasts which I think enable us to ensure that that policy remains on track. As I said to the Deputy and other Members at that presentation yesterday, forecasts 5 years into the future become notoriously difficult and unreliable, and to go still further into the future become almost meaningless. They can show perhaps a mathematical extrapolation of the present situation, but they are not figures which should be relied upon in doing any policy decisions.

3.6 Senator J.L. Perchard:

The Minister will know that more and more Jersey businesses are now being subject to takeovers by larger European and foreign firms; that meaning that the beneficial ownership of these Jersey businesses now being held offshore. Under the new 'Zero/10' proposals, local businesses, as I have said, will be owned by shareholders outside the Island and will be contributing nothing to the running of the Island. Will the Minister inform Members as to how he intends to get foreign-owned businesses trading in Jersey to contribute towards the running costs of the Island?

Senator T.A. Le Sueur:

Yes, this has been a running sore in the 'Zero/10' debate for the last 2 years, and various proposals have been tried, and so far have proved unsuccessful. I am grateful to a suggestion made in the course of a Scrutiny Panel hearing about an alternative way to do that, and that is apparently being investigated by my officers and - if that is a goer - that would certainly be one method in which a tax from offshore-owned businesses could be achieved. At this stage, it is difficult to say whether there will be any economic imbalance or unfairness in this, but it is certainly something we are looking at fairly closely.

3.7 Deputy J.A. Martin:

I think it was in the budget yesterday that the Treasury Minister has identified around £1.75 million to absorb G.S.T. for low income families. Could the Minister please confirm whether this amount is moveable, and if it is moveable, by how much upwards?

Senator T.A. Le Sueur:

Well, I am pleased to answer the Deputy on that one. The original calculations we had for the additional support required to protect those on low incomes from the effect of G.S.T. was £2 million. That has subsequently been refined down to about £1.75 million, but whether the figure is £1.75 million or £2 million or a higher figure, I am satisfied that that figure needs to be paid to protect those people on low incomes and will be paid. It will be paid out of the proceeds of G.S.T., however much it takes, Sir, but I am confident that the estimate of £1.75 million gives a pretty fair and accurate ballpark figure.

3.8 Deputy S. Power:

The Council of Ministers has indicated through its Strategic Plan and the Business Plan that it hopes to achieve significant growth in the economy over the next few years. Can the Treasury Minister indicate how the indicated increased indirect tax burden on individuals can be reconciled with the spending levels required to achieve such economic growth?

Senator T.A. Le Sueur:

Economic growth comes primarily from export industries and revenue from outside the Island growing. The effect of indirect taxes or any form of taxes which have to be raised to meet the deficit for one moving to 'Zero/10' will have an effect on Island residents. I believe that indirect taxes will have less impact on the export economy and the revenue raising we need to achieve, primarily because all export activities are not liable for G.S.T. because, they will be zero-rated.

3.9 Connétable M.K. Jackson:

In present G.S.T. proposals minimalist levels for personal imported goods have been quoted as between £100 and £500. Could the Minister confirm whether the final figure has yet been established, and if not, when this might be?

Senator T.A. Le Sueur:

I am grateful for clearing-up any misconceptions that I have set a figure, whether it be £500 or £100. No figure has yet been set. I gave to the Scrutiny Panel my guess of a likely range of that figure, £100 to £500, and that has been really a combination of 2 factors. First, as far as the support of the local retailers is concerned, I want to make this as low as possible, but conversely, from the administration point of view, I am very reluctant to spend £10 to collect £3, and accordingly, Sir, that has to be resolved, and I will do that on the basis of information rather than a guess. As I am getting more information, I will be able to refine that figure into what I think will finally be a suitable figure. I accept that it will be a figure which may not satisfy everybody. That is the nature of things: that somebody wanted a higher rate and someone wanted a lower rate, but I will do that on the basis of information.

3.10 Deputy R.G. Le Hérissier:

The Minister says 5 years is a long time in politics, as well as financial forecasting, and yet in his report on the Stabilisation Fund, he introduces that glowy, rosy term "sustainability". Can he tell us, Sir, what he means by the term "sustainable economy"?

Senator T.A. Le Sueur:

Not in so many words, but I think an economy which is less vulnerable to shocks and excesses, whether they be high or low. I think the danger of any sudden changes in economic activity -

whether they be positive or negative - tend to have detrimental long-term effects. My ambition is to have an economy which grows steadily, and which will no doubt decline in time of recession, but that in those recessionary times, this decline should be limited and offset by measures that we can take to maybe put some help into that through the Stabilisation Fund. That is the whole economic theory behind it. I accept that the practice may differ from the theory, as it is sometimes difficult to get these things spot on.

3.11 Deputy P.J.D. Ryan of St. Helier:

In the past, it has often been said that when V.R.D. (Vehicle Registration Duty) was imposed that it would be replaced by G.S.T. in the fullness of time. Could the Minister confirm that in fact, in 2008, when G.S.T. is imposed on new car sales, that V.R.D. will be renamed as something else so that G.S.T. will not replace V.R.D. in the future?

Senator T.A. Le Sueur:

I think the thrust of the Deputy's question is fine. When G.S.T. is introduced, V.R.D. will no longer be applied to imported vehicles. I do not think it is a question of renaming it, unless you want to call it renaming it as G.S.T., but G.S.T. is not identical to V.R.D., by any means. G.S.T. is based on the value of a vehicle, whereas V.R.D. is based on the cubic capacity of that vehicle. But certainly I can confirm that with the impact and imposition of G.S.T., V.R.D. will be withdrawn.

3.12 Deputy J. Gallichan of St. Mary:

Would the Minister like to confirm please, or advise the House generally what he said at the budget meeting yesterday; that in fact, he will attempt to recoup the revenue which will be lost by the abandonment of V.R.D. by imposition of some other kind of tax?

Senator T.A. Le Sueur:

I have said, Sir - and I have consistently said over the years - that the removal of V.R.D. will leave a deficit in States' revenues and it will be for the States to decide how that deficit is made up. My expectation is that could well be made up by some of the environmental tax or other measures we will be discussing over the next few months.

3.13 Deputy S. Pitman:

We have been advised that where individuals have been overcharged on their income tax, they may either have this money refunded by cheque or have the amount set off against the following year's tax bill. Could the Minister confirm that as the interest on any overcharge is morally - and I believe legally - the taxpayers', will this interest also be included at any refund to be given, and if not, why not?

Senator T.A. Le Sueur:

I think for many years now, taxpayers have tended to pay their tax bill something like 9 months after the end of the year of assessment in respect of incomes earned over the previous 12 months. Those taxpayers have had the benefit of not having to pay the income tax for something between 9 and 21 months and we have not sought to tax them on the deferment of their income tax revenue. Conversely, the fact that they are now paying on account as they go along, they are in fact paying the tax at the actual time it is due, and on that basis, I accept that there may be some slight overpayment. The size of the overpayment and the quantification over the 12-month period for a figure of something like £250 a year on average, over 12 months, is something like £20 a month...

The Bailiff:

I am afraid your time has expired, Minister.

Senator T.A. Le Sueur:

The answer is no.