

STATES OF JERSEY



DRAFT GOODS AND SERVICES TAX (AMENDMENT) (JERSEY) REGULATIONS 200- (P.42/2008): COMMENTS

**Presented to the States on 28th April 2008
by the Minister for Treasury and Resources**

STATES GREFFE

COMMENTS

The Goods and Services Tax for Jersey has taken the best part of 5 years to prepare, from the initial discussion stages to the implementation on 6th May 2008. It has been one of the most significant changes in taxation and business practice for very many years indeed, affecting every section of the Island community.

Accordingly, to suggest a fundamental change to the Regulations, an amendment which would require implementation in a matter of days, can only be regarded as irresponsible, and, impossible to action in a sensible practical manner within that timescale.

Furthermore, the proposed amendment would be unique in comparison with VAT/GST legislation virtually anywhere else in the world. It is true that many businesses throughout the world indicate on till receipts the element of VAT/TVA/GST within the total charged, but this has always been on a voluntary basis, and may be seen as a useful marketing tool. After the initial impact of GST, most consumers will be far more concerned about the total of their spending than the element of tax which might be contained within that spend.

It is also quite likely that many Jersey businesses may choose to display on any till receipts they issue the element of GST within that total. That should be their choice. However to make such a procedure mandatory would be unwise for a number of reasons.

In order to appreciate the first and foremost amongst those reasons it is necessary to understand a little more about the 'retail scheme' which Jersey retailers will be adopting. In essence, it allows businesses to account for GST in a very simple way by simply recording the daily total of their sales and accounting for the GST element on that TOTAL. Whatever form of bookkeeping that business uses, whether computerised, mechanised or manual, the GST reporting is relatively simple.

Were this proposition to be adopted, it would make the 'retail scheme' unworkable, and businesses would be faced with a huge increase in costs, an increase which undoubtedly would be passed on to consumers. They might well need to install new and more sophisticated accounting systems, and as well as the cost there is the practical aspect of achieving this change in the required timescale. All this extra cost for very little added value to the consumer, who will already be aware that for every £1 he or she spends, roughly 3p will be reflected by the GST. It should not take a computer to determine that if they spend, say £60, they will have paid something in the order of £1.80 in GST. What they will not welcome is a further price increase to pay for the additional costs of the retailer should the latter have to implement this proposal. This would be particularly burdensome for those businesses which are relatively small but which nevertheless are registered for GST, and which for some might become the final straw.

If retailers were required to show the tax separately on each receipt at the till, they would have to record and account for the exact amount of GST charged on each transaction. In some cases this would amount to tens of thousands of separate amounts having to be recorded on a daily basis. With added complexity there is the added risk of error. The 'retail scheme' on the other hand, only requires retailers to record a single amount of GST for each day. A background note on the current law in this respect is attached to these comments as an Appendix.

One should also perhaps look at this proposal from the consumer's point of view. Whilst in theory the additional information might be useful, the reality is that because virtually everything carries GST at the single rate of 3% it is easy enough to work out the GST element for oneself. If we are rushing into the corner shop to buy a pint of milk, do we really want to wait whilst the shop prints out a till receipt? Do the other shoppers in the queue want to wait still longer before they can be served? There is provision within the law for customers to ask for a 'tax invoice' in specified circumstances, as happens elsewhere in the world. Nowhere else, as far as can be ascertained, is it mandatory for every transaction.

The reality is that whilst it may indeed be desirable for the consumer to know the amount of tax they are paying, there is more than one way in which this can be achieved. The way in which it will be achieved in Jersey is exactly the same as elsewhere throughout the world. To implement the proposals that are now before Members would be totally contrary to the aim of trying to keep GST as simple as possible, and would no doubt lead to increased costs for the consumer.

Finally even if some Members feel that despite all this, Jersey should 'plough its lone furrow', they should appreciate that the timescale means that to implement a change of this magnitude in less than 2 weeks is simply not feasible.

There is only one realistic course of action to take in respect of this proposal, and that is to reject it.

Background

The price marking Law was debated and approved by the States in November 2007, the Regulations followed in March 2008 and GST inclusive pricing [with limited exclusion] was adopted. The EASP report recommendation concerning the information to be shown on receipts is not covered by the price marking Law, but has always been included in the GST Law (which follows standard international practise, including UK/EU VAT systems).

Most VAT/GST systems have strict requirements for the issue and detail content of “tax invoices”, for GST registered businesses this determines the date from which tax on sales (as output tax) must be accounted for and the earliest date from which the tax can be recovered (as input tax) by the recipients of supplies.

The tax invoice rules apply to most businesses but retailers have a choice, they can use cash accounting under a retail scheme rather than issuing tax invoices. By definition their supplies are to consumers/members of the public who cannot recover the tax and therefore do not need to receive a tax invoice.

Under Jersey GST Law, the issue of GST invoices is included in Article 42 and the special provisions for retailers are covered by Article 43. The detail workings of the retail scheme are covered in a Public Information Booklet which has been widely distributed and is available on the States website.

Under the generic retail schemes, GST registered business sells at tax inclusive prices. The retailer then issues a simple till receipt and records a daily gross takings figure. At the end of a tax period (quarterly) the retailer applies a tax fraction (in Jersey – 3 over 103) to arrive at the GST content on all the sales.

On demand a retailer should issue a customer a simplified GST invoice on any transaction up to a sales value of £250. This will allow a registered business (as the customer) to recover the tax if they choose to purchase from a retailer.

The intention has always been to follow, what is considered to be best international practise, and to allow retailers in Jersey to use the retail scheme as an alternative to the issue of tax invoices.

This is particularly important to UK retailers operating in Jersey and is one of the reasons why they have always supported the introduction of tax inclusive price marking.

Some of the larger UK based retailers have agreements with UK Revenue and Customs to operate “bespoke” retail schemes (a standard retail scheme which has been tailored to suit their individual needs). The Income Tax Office has been meeting some of these retailers (as far back as 2006) and reviewing/approving the bespoke schemes for Jersey purposes.

The main reason for allowing a retail scheme is to accommodate the business community by allowing flexibility and in doing so reducing compliance costs. A large UK retailer has already written to the scrutiny panel illustrating their problems and providing cost estimates for the alternative options they would face.

Conclusion

In conclusion, if the States accepted the proposition, the required changes would certainly lead to further confusion within the business community and additional compliance costs, something we desperately need to avoid.