

3. Questions to Ministers Without Notice - The Minister for Treasury and Resources The Greffier of the States (in the Chair):

That is a convenient time to bring the oral question period to a conclusion. We come now to Questions Without Notice and the first Minister available for questioning is the Minister for Treasury and Resources and I would like questions.

3.1 Deputy R.C. Duhamel of St. Saviour:

Despite repeated assurances to this House and Members of the imminent re-tendering of the Jersey College for Girls, we now hear through the local media that the Minister might not in fact be able to honour those assurances as he is looking to keep the building within the States property portfolio. Will the Minister explain to the House the reasons for this change of mind and the extent to which this House can rely on any assurances given in the future by Ministers?

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

I gave the assurance to the House some time ago now in relation to concerns about the value of the property. Since then and with the employment of a new Chief Officer of Property Holdings we have taken a wider look at States property requirements and included within that remit the possible use of the Jersey College for Girls site. On that basis, Sir, it was not appropriate at the present time for the site to be re-tendered when that might be a totally meaningless and pointless waste of money. Matters for the site remain ongoing and when they come to fruition, Sir, I will be able to advise the Deputy and Members of the House.

3.2 Deputy S. Power of St. Brelade:

Could the Minister for Treasury and Resources indicate to the Assembly whether or not he was supportive of the proposed food exemption u-turn on G.S.T. (Goods and Services Tax) at the last Council meeting?

Senator T.A. Le Sueur:

The short answer is, yes, I am, Sir. With these issues they are never a simple matter of black and white, and given the current situation in respect of food prices my views have been modified to the extent that I appreciate the significant increase in food costs in recent times and the need to do something about it.

3.2.1 Deputy S. Power:

Can I just seek clarification from the Minister for Treasury and Resources? Did the Minister for Treasury and Resources propose the u-turn on G.S.T. on food?

Senator T.A. Le Sueur:

No, Sir, it is not a matter of proposing anything. It is a matter of discussion by the Council of Ministers of a subject and the subject being that of dealing with the increased cost of food in the most appropriate way. The Council of Ministers as always has a robust round table discussion and no one proposed anything. It is a matter of discussing and reaching a consensus conclusion.

3.3 Deputy S.C. Ferguson:

Can the Minister for Treasury and Resources tell us if the Council of Ministers were aware of the contents of the *Fiscal Policy Panel Report* before they discussed the increases in the Business Plan and the G.S.T. on food. I have a supplementary, Sir.

Senator T.A. Le Sueur:

Neither the Council of Ministers nor the Minister for Treasury and Resources himself was aware of the content of the *Fiscal Policy Panel Report* prior to last Thursday when all Members received a copy.

3.3.1 Deputy S.C. Ferguson:

Would the Minister for Treasury and Resources not perhaps do another u-turn considering the contents of that report and the briefing which was given to States Members - which I was sorry to see only 11 people attended - last week?

Senator T.A. Le Sueur:

As I said to those who were there, the report of the Fiscal Policy Panel is to me a very significant and important piece of economic advice which we should all read very carefully. As with all matters though, economic advice is one aspect of political decision-making and we have to weigh up that advice against other considerations. In those circumstances I hope that States Members in debating the Business Plan next week will take a note of the Fiscal Policy Panel advice which should certainly be one matter influencing their decision.

3.4 Deputy C.J. Scott Warren:

Will the Minister tell Members whether he has given any further consideration to putting the collection of taxes for I.T.I.S. (Income Tax Instalment Scheme) on a this year basis rather than most people still being paying I.T.I.S. on last year's income and some people on this year's?

Senator T.A. Le Sueur:

Yes, Sir, that is an ongoing situation which I am in discussion with the Comptroller of Income Tax but no final decision has been reached at this stage. It is quite a complex transitional process. Admittedly if it is ever done it will become better in the future but getting from where we are now to where we might need to be is not a simple matter.

3.5 Senator L. Norman:

Having made the decision to remove G.S.T. from some food items, could the Minister please say why he is delaying the implementation of this until spring of next year and does he regard the U.K. V.A.T. (Value Added Tax) model of zero rating of certain foods to be an example of best practice in this area or does he agree with the comments of the Council of Ministers that the U.K. system is complex and administratively expensive and regarded as the worst implementation of V.A.T. in the world?

Senator T.A. Le Sueur:

We seem to be having a preliminary run through the debate on G.S.T. at this stage but so be it, Sir. The reason for a delay is quite simple, although there are a number of contributory matters. Firstly, once the extent of any changes to the current G.S.T. law have been agreed by the States that requires instruction to the law draftsmen to amend the law or amend the regulations. Those instructions will require drafting, agreement by myself as Minister with the department concerned for operationability, and then lodging for 6 weeks in this House. I suspect that the earliest I could lodge those amendments would be in the budget in the beginning of December. Assuming that that law was passed there is then a question of arranging for businesses, just as they did when G.S.T. was introduced, to have time to implement new schemes because it will mean a significant change to their accounting arrangements. This will require educational activity by the department and by businesses concerned. If we are to avoid getting into the confusion which could easily happen with an uncertainty, one has to allow a certain amount of time for that to be brought in. Furthermore, finally, Sir, the collection of G.S.T. from most businesses is done on a quarterly basis and it would make sense to bring it in at an appropriate anniversary date. So while I accept that there would be an urgency to bring in any changes agreed as soon as possible, the practical reality is that this has to be done in an orderly way and, hence, the delay.

3.5.1 Senator L. Norman:

The second part of my question was does he regard the U.K. model of zero rating of certain foods to be an example of best practice or does he agree with the Council of Ministers' comments that it is complex and administratively expensive and regarded as the worst implementation of V.A.T. in the world?

Senator T.A. Le Sueur:

The U.K. system is not one which is particularly desirable but it does have the merit of being one which is in existence and gives a basis of legal precedent. If we are to change to a different system from that it would require far more complex law drafting and would require even further delay. As with all matters, Sir, it is a question of compromise and balance.

3.6 Deputy G.P. Southern:

Given that the R.P.I. (Retail Price Index) is running at 5.6 per cent and R.P.I.Y. (Retail Price Index excluding Mortgage Interest Payments and Indirect Taxes) even is running at 3.8 per cent and given that provision for States pay increases in 2009 in the Annual Business Plan is set at 2 per cent, what measures does the Minister propose in order to ensure that he does not exceed his 2 per cent limit? In particular, should he have to exceed it, does he regret having blown all the consolidated fund on a large chimney and E.f.W. (Energy from Waste) plant all in one go?

Senator T.A. Le Sueur:

I think it behoves all States Members to act responsibly in terms of wage negotiations. Those will be carried out by officers on behalf of the States Employment Board. The Council of Ministers put into the Business Plan what was at the time an appropriate provision for increases in pay for States employees. Should the settlement finally exceed that number it will need to come back to this House for the House's approval because the Business Plan itself has set out a certain sum of money and any increase above that would require a supplementary vote. So that matter ultimately will be a matter not for the Minister for Treasury and Resources or even for the Council of Ministers. It will be a matter for this House to decide.

3.6.1 Deputy G.P. Southern:

A supplementary if I may? Given that the target of 2 per cent is based on the R.P.I.Y. and the R.P.I.Y. is already 3.8 per cent, does the Minister not accept that he has a problem looming?

Senator T.A. Le Sueur:

I do not have a problem looming. If we give wage rises which simply absorb all the additional costs then the Island itself and those employees will be the poorer in years to come. It is not a matter simply for the Minister for Treasury and Resources. It is a matter for us as States.

3.7 Deputy J.A. Hilton of St. Helier:

Given the strong argument put forward by the Minister for Treasury and Resources during the debate on G.S.T. for exemptions not to be granted, i.e. keeping the rate low at 3 per cent, is the Minister for Treasury and Resources able to assure Members that he intends to maintain the 3 per cent rate for G.S.T. for the next 3 years?

Senator T.A. Le Sueur:

Again, Sir, that is a matter which is in the law. The States passed this law and unless someone amends the law, the law remains in force and the rate of G.S.T. will be 3 per cent for at least 3 years.

3.8 Connétable S.A. Yates of St. Martin:

I would like to ask the Minister why has he shown such a lack of leadership by this u-turn pirouette? [Approbation] I would also like to ask him why has he approached the protection of the vulnerable in such a half-hearted way? We were promised that the vulnerable will be

protected and while I agree that income support has been raised by 3 per cent, we have not had any definitive offers or solutions for the non taxpayers, the non income support people who in fact are caught in between 2 schools. They are vulnerable. They neither gain by the raised personal allowances for income tax and the derisory, paltry, tight-fisted offer of £75 per household is absolutely disgraceful. I would like the answer to that please.

Senator T.A. Le Sueur:

I take issue with the suggestion that these proposals fail to protect the vulnerable. Not only are all the arrangements which were previously in place to protect those people on lower incomes from the impact of G.S.T. on food going to remain in place should G.S.T. on food be withdrawn but these proposals affect not just the vulnerable and those who might be covered by income support or by in between arrangements but they will affect and benefit all members of the community whatever their status. I believe, Sir, far from failing to protect the vulnerable we are now protecting a wider range of the community and still protecting and enhancing the support available to those vulnerable people.

3.9 Deputy P.N. Troy of St. Brelade:

I have been predicting since 2005 that G.S.T. would raise more than £45 million and I think I once said I would eat my hat if it did not. I have not had to do that. Maybe, Sir, the Minister for Treasury and Resources should eat his hat because with the revelation that G.S.T. is going to raise between £5 million to £10 million more I would like to ask him does he have a more accurate figure than that and does he perhaps accept that the methods of financial forecasting need to be reviewed to provide greater accuracy in the figures that we see coming forward because not just in G.S.T. have the figures been wrong but also in tax revenue as we have seen surpluses as well? Could he look to review his system to get greater accuracy in his forecasting?

Senator T.A. Le Sueur:

Taking the last point, Sir, had the Deputy been at the presentation of the Fiscal Policy Panel last week he would have heard from those experts in the matter how difficult it is in the Jersey situation to forecast with any great degree of accuracy. Going back to the question about the amount raised from G.S.T., the figure of £40 million to £45 million which was proposed in the fiscal policy of about 3 or 4 years ago was based on data at that time. Given the rise in inflation, given the rise in the strength of the economy, it is not surprising that the level of the yield from G.S.T. has increased beyond that which was predicted. It has not risen significantly above that which was predicted but on the basis of one quarter's returns - which is perhaps not the best way of looking for a long term future prediction - the indications are that an annual yield of something between £49 million and £51 million a year could be expected. That is as accurate as I can get for the moment, Sir, and I suggest that that is quite adequate for our needs at this time.

Deputy P.N. Troy:

Can I just add that I was not at the presentation last week because I was in Tokyo taking my daughter to university. I cannot be in 2 places at once, Sir.