

STATES OF JERSEY

r

DRAFT CUSTOMS AND EXCISE (AMENDMENT No. 5) (JERSEY) LAW 200- (P.31/2008): AMENDMENTS

**Lodged au Greffe on 18th March 2008
by the Deputy of St. Ouen**

STATES GREFFE

1 PAGE 9, ARTICLE 2 –

For Article 2 substitute the following Article –

“2 Schedule 1 amended: abolition of vehicle registration duty

In Part 2 of Schedule 1 to the principal Law, paragraph 8 shall be deleted.”.

2 PAGE 12, NEW ARTICLE –

After Article 2 insert the following Article –

“* Schedule 1 amended: introduction of vehicle emissions duty

(1) In Part 2 of Schedule 1 to the principal Law, after paragraph 7 there shall be added the following paragraph –

‘8 Motor vehicles

(1) In this paragraph –

“established CO₂ mass emission figure” means, in relation to a vehicle, the grams per kilometre of carbon dioxide emitted by the vehicle, established in accordance with sub-paragraphs (5) and (6);

“LPV” means a light passenger vehicle, being a motor vehicle designed and constructed for the carriage of passengers and comprising no more than 8 seats in addition to the driver’s seat;

“vehicle emissions duty” means the excise duty payable as described in Article 38(3) or (5).

(2) The rate of vehicle emissions duty charged on a motor vehicle is –

- (a) in the case of an LPV which has an established CO₂ mass emission figure and which is first registered, whether in Jersey or outside Jersey, on or after 1st March 2001, the rate applicable in accordance with sub-paragraph (3);
- (b) in the case of any other motor vehicle, the rate applicable in accordance with sub-paragraph (4).

(3) The rate of vehicle emissions duty applicable to an LPV first registered on or after 1st March 2001 is –

- (a) if the LPV has not, at any time, been registered outside Jersey, the amount (if any) specified in column 2 of Table 1 for the LPVs established CO₂ mass emission figure, specified in column 1;
- (b) if the LPV was registered outside Jersey, the amount (if any) specified in column 3, 4, 5 or 6 of Table 1, according to the period within which the LPV was first registered outside Jersey, for the vehicle’s established CO₂ mass emission figure, specified in column 1.

TABLE 1 LPVs FIRST REGISTERED ON OR AFTER 1st MARCH 2001					
1 CO ₂ mass emission figure	2 LPV 1st registered in Jersey	3 LPV 1st registered outside Jersey 1 year or less ago	4 LPV 1st registered outside Jersey more than 1 but less than 2 years ago	5 LPV 1st registered outside Jersey more than 2 but less than 3 years ago	6 LPV 1st registered outside Jersey 3 years or more ago but on or after 1 March 2001
120g or less	£0	£0	£0	£0	£0
121- 150g	£100	£100	£65	£50	£40
151- 165g	£300	£300	£195	£150	£120
166- 185g	£450	£450	£295	£225	£180
186- 225g	£750	£750	£490	£375	£300
226- 250g	£1,500	£1,500	£975	£750	£600
251- 300g	£2,500	£2,500	£1,625	£1,250	£1,000
More than 300g	£3,125	£3,125	£2,035	£1,565	£1,250

- (4) The rate of vehicle emissions duty applicable to any motor vehicle to which subparagraph (3) does not apply is—
- (a) if the vehicle has not, at any time, been registered outside Jersey, the amount (if any) specified in column 2 of Table 2 for the cylinder capacity of the vehicle's engine, specified in column 1;
 - (b) if the vehicle was registered outside Jersey, the amount (if any) specified in column 3, 4, 5 or 6 of Table 2, according to the period within which the vehicle was first registered outside Jersey, for the cylinder capacity of the vehicle's engine, specified in column 1.

TABLE 2 ALL OTHER MOTOR VEHICLES					
1 Cylinder capacity of engine	2 Vehicle 1st registered in Jersey	3 Vehicle 1st registered outside Jersey 1 year or less ago	4 Vehicle 1st registered outside Jersey more than 1 but less than 2 years ago	5 Vehicle 1st registered outside Jersey more than 2 but less than 3 years ago	6 Vehicle 1st registered outside Jersey 3 years or more ago
1000cc or less	£0	£0	£0	£0	£0

1001-1400cc	£375	£375	£245	£190	£150
1401-1800cc	£625	£625	£410	£315	£250
1801-2000cc	£940	£940	£615	£470	£380
2001-2500cc	£1,250	£1,250	£815	£625	£500
2501-3000cc	£1,875	£1,875	£1,220	£940	£750
3001-3500cc	£2,500	£2,500	£1,625	£1,250	£1,000
More than 3500cc	£3,125	£3,125	£2,035	£1,565	£1,250

- (5) The CO₂ mass emission figure for an LPV shall be established when the LPV is first registered in Jersey and shall be the figure specified in a document produced in accordance with the requirements for registration that are prescribed under Part 2 of the Motor Vehicle Registration (Jersey) Law 1993.
- (6) Where more than one CO₂ mass emission figure is specified in a document produced pursuant to sub-paragraph (5), the CO₂ mass emission figure established for the vehicle shall be –
- (a) the figure specified as the combined figure or, if there is more than one combined figure, the lowest of them; or
 - (b) where there is no combined figure, the lowest figure specified.’.

(2) This Article shall come into force on such day as the States by Act appoint.”.

3 PAGE 12, ARTICLE 3 –

For the words “and shall come into force on 1st May 2008.” substitute the words “and, except as provided in Article 2A(2), shall come into force on 6th May 2008.”.

Renumber the Articles accordingly.

DEPUTY OF ST. OUEN

REPORT

The aim of this amendment is to enable the Assembly to decide not only if Vehicle Registration Duty (VRD) should be abolished but also whether the proposed Vehicle Emissions Duty (VED) should be introduced at the same time as the new 3% Goods and Services Tax, especially as some would argue that GST is the natural replacement for the present VRD.

Although the new duty is not necessarily being proposed as an Environmental Tax, the accompanying report to the proposition P.31/2008 suggests that this replacement is based on proposals from the Minister for Planning and Environment with the duty being levied on CO₂ emissions. Members need to be aware that only light passenger vehicles built after 2001 will be subject to duty on emission levels as prior to this date no accurate data is available. For all other vehicles duty will continue to be levied using the current VRD system based on engine size.

In June 2006 the States approved a number of environmental commitments made in the 2006-2011 Strategic Plan which placed a requirement on the Minister for Planning and Environment to deliver –

- A package of environmental tax and spend initiatives by 2007 that will replace VRD by 2008 and fund key deliverables as outlined in the sustainable Travel and Transport plan.
- To bring forward for consultation and debate in 2007 a package of environmental tax and spend measures.

Some work has been undertaken by the department and reported to the Council of Ministers, however we are told that no action was taken although it was recognised that revenues generated from environmental taxes could help fund initiatives such as greater recycling, enhanced public transport and an energy efficient programme. As a result the Council of Ministers chose to consult on a single environmental tax in the form of an annual motor vehicle duty capable of raising sufficient revenue to fund the replacement of VRD and the stated environmental objectives programme.

It should be noted that consultation has taken place and the public were asked to comment on the proposal.

As expected the comments received during the consultation period were rather negative, with many people objecting to the proposed new tax and subsequently the proposals were dropped.

To my knowledge no further consultation has taken place and yet the Treasury Minister has chosen to bring forward legislation to replace VRD with a new form of duty to coincide with the introduction of the Goods and Services Tax. This decision could be considered contrary to the commitments signed up to by the States Assembly which sought to ensure that a replacement for VRD would be linked to a package of environmental tax and spend measures.

Furthermore the States have not been given the opportunity to consider any firm proposals on what form environmental taxes should take or whether revenues generated from new taxes could be used to deliver some of the initiatives identified.

The report accompanying the Minister for Treasury and Resources' proposition is silent on a number of issues linked to the introduction of this new duty including;

- How does the proposed duty fulfil the aims and objectives as agreed in the Strategic Plan?
- How will the income generated from this duty be used to benefit the Environment?
- How does the current policy of increasing fuel duty fit with the new proposals?
- What effect will the new tax have on the replacement of old vehicles for new, especially at a time when in addition a 3% Goods and Services Tax will be levied on all vehicles whether for business or private use?

It could be the case that vehicles will be replaced less frequently and as a consequence the benefits to the environment will be limited since it is known that new vehicles are designed to be more energy efficient and produce less CO₂ emissions. This applies to all vehicles including large commercial vehicles which some might argue have a potentially greater effect on the environment in comparison to that of the private car.

In 2007 approximately 10,000 vehicles were first registered on the Island. If one divides the annual income derived from VRD by the total number of vehicles it is possible to calculate the average contribution per vehicle which amounts to approximately £430 pounds.

As a comparison, although figures are not readily available to identify the amount vehicles sales will contribute to the overall income generated by the Goods and Services Tax, it is possible to estimate what that contribution might be.

Based on information received the average price of all vehicles first registered on the Island could be estimated at between £15,000 and £20,000.

At an average price of £15,000 the additional cost of GST would be £450. If one multiplied this figure by 10,000 the approximate number of vehicles first registered in 2007, the total contribution would be £4.5 million. Based on the same calculation an average price of £20,000 would provide approximately £6 million.

This clearly shows that even the lower estimate would generate a similar income as the present Vehicle Registration Duty. For clarity, this calculation is based solely on the number of vehicles which are first registered on Jersey over a 12 month period. No consideration has been given to the income generated from GST on the sale of other vehicles which do not fit this category.

In summary –

As the proposition stands the States are presented with very little option. The choice is to either to accept Vehicle Emission Duty as a replacement for Vehicle Registration Duty or accept that VRD remains.

This amendment is designed to enable the States to decide whether VRD should be abolished and whether VED should be used as a replacement at a time to be determined by the Assembly.

There is no doubt that there are financial implications to this amendment. The financial forecast included in the 2008 Budget estimates a healthy surplus of £58 million by the end of 2008. If members choose to abolish VRD and not replace this duty the overall effect on the year end total would be to reduce the surplus by £2.9 million.

Financial and Manpower implications

In 2007 VRD produced an income to the States of £4.3 million pounds.

If VDR is abolished and the proposed new tax is not introduced immediately then, based on the 2007 income, the cost per month would be approximately £358,334 as of 1st May 2008. Some savings in manpower could be achieved by utilising existing staff to offset some of the administration costs associated with the introduction of GST. Other savings would include the sum of £25,000 as the cost identified for the development of additional information technology together with other minor financial implications related to the revising of existing documentation which haven't been quantified by the Minister for Treasury and Resources in his proposition.

Procedure for debate

It may be helpful to explain to members how this amendment will be considered during the debate. The Greffier of the States has assisted me by setting out as indicated below how the debate will proceed.

In bringing forward these proposals I was keen to ensure that members have as wide a range of options as possible. The 3 main options may be summarised as follows –

- (1) Abolish VRD from 6th May 2008^[1] and have no VED at all in its place;
- (2) Abolish VRD from 6th May 2008, enact legislation relating to VED but do not introduce it until a later date with an Appointed Day Act;
- (3) Abolish VRD from 6th May 2008 and introduce VED from that day (as proposed by the Minister).

The structure of these amendments enables members to choose any of the above options during the debate.

After the debate on the principles and on Article 1 the Minister will propose Article 2. I will then propose the first and second of my amendments. These will be proposed together but voted on separately. The first of the amendments repeals the current paragraph 8 of Part 2 of Schedule 1 to the Customs and Excise (Jersey) Law 1999 and thereby abolishes VRD. My second amendment (which replicates the majority of Article 2 as proposed by the Minister) enables VED to be introduced but, as can be seen from the last paragraph of the new Article 2A, the new duty would not come into force until the States pass an Appointed Day Act in due course.

In order to support the 3 options set out above members need to vote as follows –

- (1) Abolish VRD from 6th May 2008 and have no VED at all in its place;
Vote in favour of my first amendment and against the second.
- (2) Abolish VRD from 6th May 2008, enact legislation relating to VED but do not introduce it until a later date with an Appointed Day Act;
Vote in favour of both my first and second amendments.
- (3) Abolish VRD from 6th May 2008 and introduce VED from that day (as proposed by the Minister).
Vote against both amendments.

After the debate on my first and second amendments the Minister will propose Article 3. My third amendment is effectively simply consequential on the outcome of the vote on the earlier amendments. It will need to be adopted if Option 2 above has been supported but will fall away and not be proposed if Option 1 or 3 has been supported.

^[1] I understand that the Minister is bringing his own amendment to defer the introduction of VED from 1st to 6th May 2008 to co-ordinate it with the proposed new date for the introduction of GST.