

October 2006

Senator Syvret on GST, Exemptions and Zero Ten

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Firstly, let me explain my historical stance on GST.

Unlike some, I have never opposed sales taxes as a matter of principle. I get the impression that you do. Really, the most cursory examination of the evidence shows that sales taxes of one form or another are found as important components of the taxation structure of pretty much every advanced western type democracy.

To oppose sales taxes on principle is to attempt to fly in the face of every reasoned assessment of international tax practice.

However, having said that, I did, contrary to the impression you give here, oppose the introduction of GST - at this stage. I did so, not because I oppose sales taxes - as explained above, you have to make a conscious decision to ignore the facts to oppose on principle - but because the cost base of living in Jersey is far too high at present.

I believed that whilst we should introduce sales taxes at some point, the States and the JCRA had a moral obligation to beat down prices on the Jersey high street first. Instead, the task of combating market-rigging, price-fixing cartels, restrictive trade agreements and abuse of dominant position has barely begun. Certainly no great effect has yet materialised in the RPI.

You may be aware that great claims were made for a flat-tax approach to GST in the debate, and jurisdictions such as New Zealand were cited in support of this view. However, the price of food in New Zealand is 44% cheaper than in Jersey. Generally the price of essentials in Jersey is akin to that of Central London, if not higher in many cases.

It is against such cost backgrounds that I believed the States had a moral obligation to bring about a real-terms drop in prices - before introducing GST.

However, that debate having been lost, the States are now a long way down the path of re-structuring the tax system. Budgetary plans have been laid; assumptions have been made.

We are now heading towards 2008 with a £45 million sized hole in States income. All budgetary arrangements now depend utterly upon that £45 million being generated by GST. To imagine we could now derail GST at this stage can only be described as irresponsible utopian fantasy.

If the States arrive at the year 2008 and we have no means of filling that

monetary hole, the financial, social and economic consequences scarcely bear think about. So, I'm afraid that as much as I don't like flat-tax GST and as much as I think it was a mistake to introduce it before bring down the cost of living, I would have no choice other than to strongly oppose any attempts to de-rail GST now.

It is simply too late.

I certainly agree with your observations on the regressiveness of sales taxes.

That they have a disproportionate impact upon those on lower incomes is such an obvious fact that it scarcely merits arguing against those who try to play down this effect.

My view is that this regression would be ameliorated somewhat by exempting basic necessities. You know what happened in the debate. I simply can't believe that members really understood the key issue. At heart, it is this: even if we assume, for arguments sake, that it was actually necessary and the right thing to do, to begin taxing bread and bandages, surely before taking such a symbolically grim step we must make the tax burden a little fairer?

Yet members clearly preferred to leave that assembly having agreed to tax wheelchairs and milk, whilst seemingly largely content with a Treasury position that planned to zero-rate repairs of conservatories and swimming pools; that we simply must tax nursing home fees, but oh dear! We can't possibly tax the marine diesel used by yacht owners.

I believe the assembly has badly lost its way on this issue. Tax on apples? 'Yes'. Tax on cans of paint? 'No'. Tax on medicines and prosthetic limbs? 'Yes'. Tax on motor yacht diesel? 'No'. QED.

As far as alternative approaches to tax are concerned, I did, in fact, take a substantial report and proposition to the States in 2004. It is on the States Greffe website or available from the Greffe bookshop. It is called 'Taxation Policies; a Transparent Enquiry (P.41/2004)'.

In it, I suggested we take a detailed look at other tax raising possibilities such as progressive rates of tax, wealth taxes, land value tax, etc. I won't bore you with it now, but you might want to read it.

Naturally it was resoundingly defeated. However, it is certainly one of the documents I will be brandishing with the comment 'I told you so' when the ship goes down.