

AN INTRODUCTION TO **JERSEY'S GOODS AND SERVICES TAX (GST)** FOR BUSINESSES

GST

This booklet is one of a series produced by the States of Jersey Income Tax Office to explain various aspects of Jersey's new Goods and Services Tax (GST). It is intended principally for members of the business community to give guidance on their responsibilities under the Law but serves also as a general introduction to the new tax.

Whilst care has been taken in its preparation, readers are advised to consult the Goods and Services Tax (Jersey) Law 2007 and the GST Regulations for authoritative text. In cases of conflicting interpretation, the legislation takes precedence.

What is GST?

Jersey's Goods and Services Tax (GST) is a modern form of sales tax - a tax on the domestic consumption of imported and locally-produced goods and/or services, paid as a percentage of their value at the time they are sold or exchanged.

From the 1st May 2008 GST will be applied at a single standard rate of three per cent (3%) on the majority of goods and services (including imports) supplied in the Island for local use or benefit. It will be collected from customers by registered businesses when they make supplies of those goods and services that are specified by Law as taxable at the standard rate.

However, GST is not a tax on businesses. Although registered businesses will have to make regular quarterly payments of the tax they have collected (known as output tax), they will be able to deduct from those payments the majority of the GST they have incurred on their raw materials, goods purchased for resale and other business expenses (known as input tax).

Note 1: Payments of GST must be made to the Comptroller Income Tax, who is the official appointed by Law to administer the Tax. The Agent of the Impôts will collect GST on imports on behalf of the Comptroller.

What will be taxed under GST?

Under Jersey's GST Law there are three categories of goods and services, collectively known as 'supplies':

- Standard-rated supplies
- Zero-rated supplies and
- Exempt supplies.

'Standard-rated' supplies are those goods and services that are taxed at a standard rate of their total value in money at the point of sale or importation. Currently the standard rate of GST in Jersey is three per cent (3%), fixed for a period of at least three years from the date of introduction of the tax. All goods and services provided for use or benefit in Jersey attract GST at the standard rate, unless explicitly excluded by legislation as "exempt" or "zero-rated" supplies. (See Note 2 below).

Some examples of taxable goods and services are:

- the sale of new and used goods, including those under a hire purchase agreement
- renting and hiring out of goods
- business stock used for private purposes
- the provision of a service - for example hairdressing, or hotel accommodation
- charging admission to enter into premises and
- imported goods.

'Exempt supplies' are those that, for social, economic, or difficult-to-tax reasons, are not taxed. Examples of exempt supplies are financial services, insurance, postal services, medical and paramedical supplies made by registered professional or institutions and supplies by charities.

'Zero-rated' supplies are those goods and services that are taxable but, for social or economic reasons, are taxed at zero per cent (0%). Examples of zero-rated supplies are exports, the supply of a dwelling, supplies made on medical prescription and international services.

However, in fact, there are relatively few exclusions to GST charges in Jersey.

Note 2: For further information see Article 48 and Schedule 5 of the Goods and Services Tax (Jersey) Law, 2007 and the GST Regulations, which provide details of exempt supplies and Article 49 and Schedule 6 of the Law which cover zero-rated supplies.

A typical GST transaction

This is how a typical GST transaction works for GST-registered businesses: -

Let us take the example of three GST-registered traders (a wholesaler, a distributor and a retailer) involved in the sale of a television, which attracts GST at three per cent.

First the wholesaler buys the television for the sum of £600 and incurs a GST cost of £18, representing three per cent of £600. However, since he will be able to reclaim the £18 he paid as GST, the actual cost to him is only £600.

When he adds his mark-up of £200, his selling price to the distributor becomes £800, to which GST of three per cent (£24) must be added, making a GST inclusive price of £824. However, as mentioned earlier, the cost to the distributor is only £800, since he is also able to reclaim the GST element of £24.

After adding his markup of £200 the distributor sells the television to the retailer for £1,000 plus three per cent GST of £30, making the GST inclusive price £1,030. Again, the retailer is able to reclaim the GST of £30, so the actual cost to him is only £1,000.

Finally, the retailer sells the television to a consumer and applies his markup of £200, making the selling price £1,200 to which three per cent GST (£36) must be added. So, the consumer actually pays a total £1,236 GST inclusive price and bears the full cost of the £36 of GST.

However, since all the registered traders involved in the sale have been able to reclaim the GST they incurred on the television, there is no cascading tax effect on the consumer, who does not pay a tax on tax, as happens with some other forms of consumption taxes. (See table below).

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Transaction	Total net cost	Input Tax (See Note 5 below)	Output Tax (See Note 5 below)	GST paid to Income Tax
Wholesaler purchases TV	£600			£18.00
Wholesaler adds mark-up and then sells to distributor	£800	£18.00	£24.00	£6.00
Distributor adds mark-up and then sells to retailer	£1,000	£24.00	£30.00	£6.00
Retailer adds mark up and then sells to final Consumer	£1,200	£30.00	£36.00	£6.00
Total paid to Income Tax		£36.00		

Note 3: The GST that you pay out to your suppliers for goods and services that you purchase for your business is GST on goods or services coming IN to your business. It is therefore called “input tax.” Conversely, “output tax” is the term used to describe the GST on your sales of goods or services that are going OUT of your business.

Do I have to register for GST?

On the start date of 1st May 2008 you **must** be registered for GST if your business has made ‘taxable supplies’ (i.e. goods and services that are to be taxed at the standard and/or zero-rate), of £300,000 or more, in the preceding 12 months, or if there are reasonable grounds to believe the value of your taxable supplies in the coming 12 months is likely to exceed £300,000. Thereafter you **must** register if, at the end of **any** month, your business has made taxable supplies in the preceding 12 months, or is likely to make taxable supplies in the coming 12 months, at or above the £300,000 threshold. (See Note 4 below).

Your annual taxable supplies are known as your “taxable turnover” and, if you qualify for registration, you will be classed as a “taxable person.”

Since zero-rated goods are also classified as taxable supplies, they must be included in determining whether you exceed the £300,000 threshold for registration. However, if the only or great majority of supplies you make are zero-rated, you can apply to the Comptroller for a dispensation from registration. If this is granted you will not be able to claim input tax relief on your business expenses.

Remember, you cannot include the value of your exempt supplies in calculating your taxable turnover and, if the only services you supply are exempt supplies, you cannot normally be registered for GST.

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The rules for registration also apply if you take over a business as a going concern. It does not matter whether the last owner was registered: if the business is trading at a level above the threshold for registration, then you will need to register. Your effective date of registration will be the day you take over the business.

If you are not registered for GST you must not charge GST to your customers and you will not be able to reclaim any GST incurred on your business expenses. It is important to recognise, however, that you will be liable for any GST that should have been collected on supplies made after the date on which you were first required to register, whether or not you were registered.

If you are unregistered at a time when you should be legally registered, and if you charge GST to your customers, you will commit two offences under the Law - one of being unregistered and one of charging GST unlawfully.

To register for GST you must complete the GST Registration Form, ‘GST-Reg.’ This is available from the Customer Service Centre at Cyril Le Marquand House in St Helier, or can be accessed on the States of Jersey Income Tax Business to Business website www.jsytax.je. Completed forms should be returned to the GST Department of the Income Tax Office at Cyril Le Marquand House (see below), or they can be filed via the Business to Business website, or by e-mail to jerseytax@gov.je

Note 4: If you meet the conditions for registration before 1st May 2008, you should register as notified by the States of Jersey Income Tax Office by public notice. After 1st May 2008 you must register as soon as possible after it appears likely that you will meet the requirements to register. This will ensure that you will be able to receive the full advice and support from the Income Tax Office in understanding your legal obligations and in making your preparations for accounting for the tax.

Can I register for GST if my taxable turnover is below the threshold?

If your taxable turnover is below the registration threshold of £300,000 but you are able to demonstrate that what you do is a business for GST purposes, you can apply for 'voluntary registration.' This is not a right but can be granted at the discretion of the Comptroller.

The advantages and/or disadvantages of voluntary registration vary depending on the nature of the business activities involved.

Advantages include increased credibility for your business and, if you make standard or zero-rated supplies, you will be able to claim back input tax. (See '**Will GST be an additional burden on my business?**' below) Nevertheless, before you apply for voluntary registration, you should carefully consider whether it will indeed be beneficial to your type of business and you may wish to seek guidance from the Income Tax Office, or professional advice.

Can I de-register

If a person has been required to register, he or she will be allowed to de-register at any time if their taxable turnover falls below, or is likely to fall below the threshold for registration. However, they will be required to re-register if, at any time in the future, they reach the threshold. Persons who have registered voluntarily will be expected to remain registered for a period of at least three years and will require the consent of the Comptroller to de-register.

Note 5: For further information see Part 3 of the Goods and Services Tax (Jersey) Law, 2007, which deals with registration issues.

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What must I do once I am registered?

As mentioned above, from the date you are first liable to be registered (i.e. from the start date in 2008 or at any time when your turnover of standard and zero-rated supplies exceeds or is likely to exceed £300,000 in any period of 12 months), you must charge GST to your customers on all standard-rated items.

You will be required to make returns and pay any tax that is due to the Comptroller at regular quarterly intervals, within one month of the end of the quarterly period to which they relate. If you fail to do so you will be liable to a financial penalty, together with any interest on the GST that you owe.

You will also have to maintain records, as directed by the Comptroller, and retain these for at least six years following the period to which they relate. (See the Jersey Income Tax Office's information leaflet '**Keeping books and records**')

Note 6: For further information see Part 2 of the Goods and Services Tax (Jersey) Law, 2007, which deals with the imposition of GST and Part 3 that covers responsibilities under the Law.

Will GST be an additional burden on my business?

It is not the intention to impose unfair bureaucratic burdens or costs upon you, or to disrupt your business activities more than is absolutely necessary. The GST Law and Regulations have therefore been designed to assist flexibility and ease of compliance and to enable businesses to meet their legal obligations, as far as possible, using normal business accounting procedures.

Note 7: For GST-registered retail traders (i.e. those making 50 per cent or more of their supplies to the general public), a simplified accounting system is allowed. For details see the States of Jersey Income Tax Office's information booklet 'The GST Retail Scheme.'

However, because GST is a self-assessed tax, you will receive occasional visits by officers from the Income Tax Office, appointed by the Comptroller, to check that your records and tax returns are correct and that you are applying the tax rules correctly. Again, it is not the intention that these visits should disrupt your business activities unnecessarily and, to a large extent, your compliance with the provisions of the GST Law and the accuracy of your tax returns will be determining factors in the frequency and length of visits that are made to your premises. (For further information see the States of Jersey Income Tax Office's information leaflet '**Visits by Tax officers**')

The Comptroller is committed to providing you with proper advice and guidance on all aspects of GST. Therefore, your first visit by Income Tax officers will be of an educational nature. It will be made before, or soon after, you register for GST to ensure that you are fully aware of your legal obligations and that you are properly prepared to collect and account for the tax.

In addition, it should be remembered that GST is a tax on consumers not businesses and you will be able to reclaim the GST you incur on taxable supplies as a business expense.

As described above, when you make your quarterly accounting of GST that you have collected from your customers (your output tax), you are able to offset this against the GST you have paid on your business expenses (your input tax) and you will pay only the balance to the Comptroller. If your input tax is greater than your output tax you will be entitled to a credit or repayment.

*Note 8: You are allowed to claim input tax on goods and services that are directly related to making taxable supplies to your customers. These goods and services include goods for resale, raw materials, processing costs, tools, capital equipment, office equipment and contractor's fees, but **not** goods and/or services diverted for your personal use, or private expenses. In the case of goods or services diverted for personal use, the input tax must be apportioned.*

Note 9: If you make a mixture of taxable and exempt supplies you will be required to apportion the input tax you claim between your taxable and exempt supplies. For example, if 30 per cent of your supplies are exempt supplies, you will be able to claim only 70 per cent of the input tax incurred in running your business.

Although accounting for GST is on a quarterly basis, there is provision to assist the ‘cash-flow’ of those businesses who are regularly entitled to input tax refunds (e.g. exporters and developers of domestic dwellings). These businesses may be allowed by the Comptroller to reclaim their input tax at monthly intervals. There will be separate arrangements for others, such as charities and DIY builders. (See the States of Jersey Income Tax Office’s information booklets **‘A guide to completing your GST return,’ ‘GST refunds for charities’** and **‘GST refunds for DIY builders’**)

Your ability to reclaim input tax will also benefit your customers, since it avoids a cascading effect of tax. They will not pay GST on GST, as happens with some other forms of consumption taxes.

An additional advantage for you, as a GST-registered person, is that you will hold the tax you have collected from your customers for between one and four months (depending when sales were made during a quarterly period) before you are required to pay it to the Comptroller. This money could be placed in a business deposit account to earn interest for your business. Indeed, many businesses in other GST jurisdictions open special accounts for their output tax to ensure that it is segregated from their own business/personal accounts.

Supplies made by the States

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The States of Jersey is also liable to be registered but will be treated as a single person: any minister, department, or administration of the States will be taken to be that same person. However, the States will not charge GST on any of its regulatory functions or services - only where it is providing goods and services in competition with commercial concerns (e.g. the provision of sports facilities). Jersey’s twelve parishes will also be registered for GST as separate entities and will be treated in the same way as the States.

Supplies by charities

Special arrangements have been made concerning the GST treatment of charitable organisations recognised by the States. The supplies they make in the course of their charitable activities will not be subject to GST. The tax will be charged on supplies made to them but, periodically, they will be able to reclaim from the Comptroller the amount of GST they have incurred on their business expenses. (See the Income Tax Department’s information leaflet **‘GST refunds for charities’**).

Supplies by doctors, dentists, opticians and residential home care providers

Supplies made by doctors, dentists, opticians and residential home care providers will be classed as exempt supplies. These persons will not be required to register for GST. They will not charge GST on the supplies they make but will have to pay GST on supplies made to them.

Time of supply

A supply of goods or services is deemed to have taken place at the earliest of the date on which:

- Goods are delivered or made available, or the service is performed.
- An invoice for the supply is issued, or
- Any consideration for the supply is received.

Goods supplied under a credit agreement are supplied at the time the agreement commences.

8 Goods applied to a different use are supplied when the goods or service are applied to the different use (e.g. when goods purchased for business purposes are diverted for private use).

Goods supplied via a machine, meter, or other coin operated device are supplied when the coin, note, or token is removed from the machine.

Services supplied under an agreement that provides for periodic payments are treated as being successively supplied for successive parts of the period of agreement, and each of the successive supply occurs when a payment becomes due or is received, whichever happens first.

Value of Supply

The value of a supply of goods or services is determined in Articles 31 and 32 of the Goods and Services Tax (Jersey) Law 2007.

The value is deemed to be the net value before GST is added. In the case of imported goods, customs and excise duties and any packaging, freighting and insurance costs will be considered to be part of the value, to which GST must be added. (See also **'Consideration'** below) .

Place of Supply

Goods will be treated as supplied in Jersey if they are in Jersey at the time of supply, or if their supply involves their removal from Jersey. They will be treated as supplied outside Jersey if they are outside Jersey at the time of supply, or if their supply involves their removal to Jersey.

If goods, in the course of their removal, from a place in Jersey to a place in Jersey, leave and re-enter Jersey, the removal will not be treated as a removal from or to Jersey.

Services will be treated as supplied in Jersey if the supplier belongs in Jersey. They will not be treated as supplied in Jersey if the supplier belongs in another country.

Tax Point

The tax point is the time when a supply of goods or services is treated as taking place, as described above. You must account for GST in the accounting period in which the tax point occurs at the rate of tax in force at that time.

If your normal commercial practice is to issue invoices monthly, you should apply to the Comptroller for permission to use the date of invoice as the tax point.

Treatment of imports

All goods that are imported into Jersey are liable to GST, subject to certain reliefs. The GST on imported goods will be collected on behalf of the Comptroller Income Tax by the Agent of the Impôts. (See the Customs and Immigration Service information booklet **'A fast track system for imports by Customs approved traders'**).

However, different rules and procedures apply to the customs clearance of these goods and the payment of duties and GST, according to the status of the importer - i.e whether or not the importer is registered for GST and whether or not the importer is a Customs-approved importer.

GST-registered businesses that are also approved importers may take possession of goods without making a customs declaration and without paying duties and GST at the point of import. They will be required to make a declaration and make payment of any customs and excise duties within 30 days but they will not have to pay any GST. They will simply record the amount of GST that was due when making their next GST Return.

GST-registered businesses that are not approved importers will have to make a customs declaration within three days of the goods being imported and they will have to pay any duties and GST that is due before the goods are released. They will be able to reclaim the amount of GST they have paid when making their GST Return for the period.

Businesses that are not GST-registered but are approved importers will be able to take possession of the goods without making a customs declaration and without making

payments of duties and GST at the point of import. They will be required to make a declaration and to pay duties and GST within 30 days of the date of importation.

Businesses that are not GST-registered and are not approved will have to make a customs declaration of the goods within three days of importation. They will not be able to take possession of goods until all duties and GST have been paid. However, it will be possible to make pre-import declarations and payments to secure immediate release of the goods.

All GST-registered businesses will be required to retain customs entry forms, any receipts issued by the Customs Service and any other commercial documents necessary to verify their claims for GST credit or refund.

Note 10: GST will be chargeable on the total value of imported goods. Customs and excise duties and the cost of packaging, freighting and insurance will be deemed to be part of the value. However, there will be a de minimis level of £12 of duties and GST, below which no duties and GST will be charged.

Note 11: If a consignment is made up of several items and the collective amount of duties and GST is above the de minimis limit, GST and duties will be levied as though the consignment were one item. If the same goods are imported as separate consignments and the GST and duties on each one is below the de minimis limit, the GST and duties will not be charged.

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Reverse charging

If you receive supplies of certain services from outside Jersey (as detailed in Schedule 3 of the Goods and Services Tax (Jersey) Law 2007, you may be affected by the reverse charge provisions of Schedule 3, if the supply of similar services within Jersey would be subject to GST.

If you think you may be affected by these provisions you should contact the GST Help Desk for advice (See **'How can I get further help?'** below).

Consideration

For the purposes of GST, supplies of goods and services are deemed to be made for a 'consideration.' This is usually an amount of money but it can be for the exchange of an equivalent value of goods and services, or other advantage, such as the granting of a right, or waiver. In these cases a monetary value (the 'fair market' value) is placed upon the alternative consideration and the GST element is calculated on that value.

GST returns must be submitted in £ Sterling. Where foreign currency (including Euros) is accepted as the consideration for goods and services, the amount must be converted to £ Sterling, using the exchange rate pertaining at the time the supplies were made.

Discounts

Where a discount is shown on the tax invoice, the value of the supply for GST purposes is the discounted amount.

Service Charges

A number of business within the hospitality industry, add a service charge to their bills. This charge constitutes part of the value of the service provided and is subject to GST unless the taxable person is able to prove that all of the monies were paid to members of staff as part of their remuneration. Gratuities that are given at the discretion of patrons are not subject to GST.

Postage and packing

Postage and packing charges, whether or not shown separately, are regarded as part of the cost of the basic supply and are therefore liable to GST, unless the supply is an export.

Price Marking

Remember, it is your responsibility as a GST-registered person to ensure that your customers are made properly aware of the prices they are being asked to pay.

In the majority of cases you will be required to quote and display the prices of imported goods as 'tax inclusive prices.' An exception will be those imported goods where the indicated prices are tax-exclusive and pre-marked (e.g. newspapers and magazines).

However, although in these cases GST of three per cent will have to be added 'at the till,' it must be made clear, before payment, that GST has to be added to the cover price. This may be done by signs within your business premises. There must be no price increase surprises for customers when they come to pay.

Note 12: For further information see Part 10 (Payment of GST by taxable persons) of the Goods and Services Tax (Jersey) Law, 2007.

What are the penalties for failure to comply with the GST legislation?

There are both civil and criminal penalties for failure to meet your obligations under the GST Law. For a failure to register, inadequate book-keeping, late returns and payments, for example, you could receive a tax penalty or a fine and you may have to pay interest on any outstanding tax that is due. (At the same time, if the Comptroller fails to pay a refund on time, he is liable to pay interest to you) The penalties for fraud, or deliberate evasion are severe .

There are also penalties for a failure to comply with a direction by the Comptroller or a failure to co-operate with a GST officer.

Note 13: For further information see Part 14 of the Goods and Services Tax (Jersey) Law, 2007, which deals with penalties and surcharges relating to failures to comply with the Law, and Part 17, which deals with fraud and other offences under the Law.

What powers does the Comptroller possess?

The Comptroller has powers to make directions to ensure the efficient administration of GST and to enforce penalties.

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In addition, in order to protect the GST revenue, the Comptroller and persons authorised by the Comptroller, have powers to inspect goods, records, devices, equipments, or other things, in or on any vessel, vehicle, aircraft, or on premises, if he or she is lawfully on those premises. An authorised person may also execute a warrant issued by the Bailiff or a Jurat to enter premises and seize goods, using reasonable force as necessary and may be accompanied by police officers. (Authorised persons may act without a warrant if there are reasonable grounds to suspect a criminal act and a loss to the revenue in the event of delay).

However, it is not the intention to persecute businesses and the emphasis of the Income Tax Office will be placed upon education and assistance rather than enforcement. The Comptroller will exercise a discretion to waive penalties in the event of honest mistakes or misunderstanding, especially in the first year after the introduction of GST.

Nevertheless, you are encouraged to be open and honest about your business and to declare any shortcomings before they are discovered by Income Tax officers.

Note 14: For further information see Part 13 of the Goods and Services Tax (Jersey) Law, 2007, which deals with responsibilities for administration of GST, and Part 18 and Schedule 8, dealing with powers of search, directions, notices and procedural requirements.

Note 15: Schedule 7 of the Law states that the powers and functions of customs and postal officers under the Customs and Excise (Jersey) Law, 1999, shall apply in respect of GST on the importation of goods in the same way as they would in respect of customs duty on the importation, whether or not customs duty is payable.

What remedies and appeals procedures are available?

If you have a complaint about any aspect of the administration or application of GST, or regarding the conduct of an Income Tax officer, you should first contact the Comptroller. If you are dissatisfied with the Comptroller's response you can lodge an appeal with the Commissioners for Appeal under Part Six of the Income Tax (Jersey) Law 1961.

The Commissioners may uphold, revoke, or vary any direction or decision, or substitute their own direction, or refer a matter back to the Comptroller, as they see fit. The Commissioners may also direct the Comptroller, or the appellant, to pay any sum that is due to the other party, plus any interest that they may determine.

However, the Commissioners may refuse to hear an appeal - e.g. where the appellant has not made all the returns required, or paid any amounts due, or furnished information demanded by the Commissioners, or deposited any amount that is the subject of a decision.

If you (or the Comptroller) are dissatisfied with the ruling of the Commissioners an appeal may be made to the Royal Court but only on a point of law.

Note 16: Details of how to make an appeal can be found on the States website www.gov.je

However, as stated above, it is the intention of the Comptroller to administer GST fairly and equitably and to provide the business community and the general public with comprehensive information, advice and assistance to ensure the effective implementation of the new tax and minimum disruption to businesses.

Note 17: For further information see Part 16 of the Goods and Services Tax (Jersey) Law, 2007, dealing with appeals.

How can I find out more about GST?

Copies of the Goods and Services Tax (Jersey) Law, 2007 and the GST Regulations will be available for inspection at Parish Halls, the States Bookshop, the Customer Service Centre at Cyril Le Marquand House in The Parade, St Helier, the Public Library and on the States website www.gov.je.

The States of Jersey Income Tax Office will also publish a series of information leaflets to assist the business community and the general public. Among those that might be of particular interest are:

- A guide to Jersey's GST Law
- A guide to the GST Regulations
- Keeping records and accounts
- A guide to completing your GST return
- The GST Retail Scheme
- The GST Margin Scheme
- GST refunds for charities
- GST refunds for DIY builders
- Visits by Tax officers
- GST and the Consumer

These can be obtained from the Customer Service Centre at Cyril Le Marquand House, or viewed on the States website.

How can I get further help?

The Comptroller welcomes direct approaches from the business community and the general public. A dedicated GST Help Desk has therefore been established to deal with GST enquiries. Help Desk officers can provide general advice and guidance, or arrange for your enquiry to be answered by a GST specialist.

They can be contacted by telephone on 440555 during office hours, by fax on 737978, by e-mail jerseytax@gov.je, or you can write to:

The GST Help Desk,
Income Tax Office,
Cyril Le Marquand House,
P.O. Box 56,
The Parade,
St Helier,
Jersey.

You do not need to be registered, or liable to be registered, to take advantage of this service.

In addition, Jersey businesses can make a request, via the Help Desk, for a visit to their premises by specialist Income Tax officers, during which GST matters specific to the business can be addressed and advice given.

