

JERSEY'S GOODS AND SERVICES TAX (GST)

An explanation and summary of the Draft Law

Deadline for comments Tuesday 20 June, 2006

28 March 2006

GST

Introductory letter from Senator Terry Le Sueur

Dear Jersey Resident,

In 2008 we will have a new tax on goods and services. The States decided this last year and directed the former Finance and Economics Committee to do the work which is necessary to introduce it. That role has now passed to me as Treasury and Resources Minister. The first step has been to draft the legislation which will establish the framework in which the tax will operate, and we are now ready to publish the draft primary law.

It has always been made clear that this new tax will be designed to suit Jersey's needs and I want everyone with an interest in it to be aware of all the steps which we take as we move towards implementation. In the case of the draft primary law, which is the subject of this document, we believe that the business community and lawyers will have the greatest interest, but we welcome responses from any quarter.

To make the draft law as easy to understand as possible, we have produced this booklet, which summarises its main provisions. For those who would like to look at the draft law in more detail, copies are easily available either from the website (www.gov.je), or – as it runs to many pages – a hard copy is available from the States offices at Cyril Le Marquand House and Morier House, from the library, or from Parish Halls.

In a few months time we will publish a second document, which will conclude our proposals for the implementation of GST. This document will be widely available so that everyone with an interest will be able to make their views known.

This summary of the draft law provides some information to remind you what has already been agreed about GST, and the thinking behind our proposals for its implementation and operation in Jersey. You may feel that much of it is revisiting old ground, and if so, I apologise, but I felt that it was better to show as much of the picture as possible, in order to set the draft law into context.

Our underlying objective remains to achieve a tax that will raise £40-£45 million of annual revenue but which will be as simple as possible for all concerned, while maintaining Jersey's economic competitiveness and having the minimum possible impact on the cost of living and on business activities.

I repeat my previous assurances that the entire process of GST implementation will be open and transparent, with the maximum possible involvement of the Jersey public and business community.

I hope that this document helps to achieve that objective.

Yours sincerely,



Senator Terry Le Sueur
Minister for Treasury and Resources

28 March 2006



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Introduction

To deliver a new tax on goods and services, as the States agreed to do in 2005, Jersey must have a new law which enables a framework in which it will take place.

The legislation will be produced in two parts - a primary GST Law, which is summarized in this document, supported by more detailed technical regulations, affecting mainly the business community, which will be the subject of public consultation in July.

The Draft Law is available for inspection from today at Parish Halls, the States Bookshop, the Customer Service Centre at Cyril Le Marquand House in St Helier and at the public library. This policy paper and the Draft Law can be viewed also on the States website www.jersey.gov.je

A separate consultation document, concerning the treatment of the financial services industry under GST, will also be published shortly and will be available at the above addresses and on the States website.

We invite your comments on this Draft Law. Details of how you can make your views known can be found on page 9 of this document.

Comments should be with us before 20 June 2006, after which a summary of the results will be published and the views and suggestions expressed will play an important role in shaping the final recommendations that will be placed before the States Assembly for debate towards the end of this year.

No decisions on the law, the regulations, or the administrative arrangements, will be made before then and until all consultations have been completed and the views of all concerned have been carefully considered.

Background

In 2004 the States agreed two major changes to Jersey's tax structure - a reduction in the general rate of tax on corporate profits, from the current 20 per cent rate to a rate of zero per cent for most companies, but with a higher (and yet internationally competitive) rate of ten per cent for financial services providers.

These changes, known as "zero/ten," are vital to secure a sustainable economic future. They will enable European Union demands for non-discriminatory company taxes to be met, whilst combating competition from other business centres to attract the highly mobile and economically important financial services industry away from the Island.

However, the overall effect of "zero/ten" will be to reduce Jersey's future annual tax revenue by an estimated £80-£100 million. The main impact of this will be felt in 2010 and the full effect by 2012.

In order to fill this anticipated 'revenue gap' the States agreed a package of measures that included restrictions on States spending, an economic growth plan, an Income Tax Instalment System, legislation to ensure that shareholders in zero per cent companies would ultimately pay personal Income Tax on their share of profits (including an element which may not, as yet, have been distributed), and a phasing out of certain Income Tax allowances for higher income groups.

Nevertheless, even after these provisions, there remains a £40-£45 million revenue shortfall and some form of new tax, (or taxes), is therefore inevitable to ensure the continued provision of high quality public services.

After detailed consideration, the States in 2005 decided to adopt a broad-based GST as the best of the alternative tax-raising measures. It was agreed that a separate income support scheme would be introduced to help to mitigate the effect of the tax on lower income groups.

What is GST?

GST is a tax on consumption of goods and/or services in the Island, paid as a percentage of their value at the point of sale.

It is chargeable at every stage leading up to the final consumer and is collected by GST-registered businesses when they supply their customers with goods and/or services that have been designated in law as taxable ('taxable supplies').

The value of a taxable supply is determined in terms of its value in money, or money's worth, where there is a benefit or 'consideration' other than money, charged to the customer.

GST-registered businesses must account for GST in their sales records and pay to the taxation authority the tax they collect from their customers. However, at the same time, they are able to reclaim or offset the GST they have paid on their business costs.

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In this way, although the full amount of tax (based on the value of the final product or service), is borne by the consumer or user, there is no 'tax on tax' effect. GST is not paid on GST.

How does GST work?

In addition to the avoidance of a tax cascade for the final customer, a GST has many features that make it an attractive revenue-raising option for Jersey:

- It provides a means of moving away from an over-dependence upon the economic uncertainties and fluctuations of direct taxation which can fluctuate with changing economic circumstances. GST is a more stable revenue source than many other taxes. For example, property taxes fluctuate with the ups and downs of the market and corporate and personal income taxes vary with economic and business cycles
- Substantial amounts of revenue are generated, even at relatively low tax rates, and the revenue accrues steadily throughout the supply chain.
- Because GST is a tax on consumption, at the point of consumption, there would be an immediate cash flow benefit to the Treasury following its introduction in Jersey - unlike a direct tax system where, in some cases, more than a year could pass before any revenue was collected.
- It is fair, in as much as because it is based on consumption it affects the broadest range of taxpayers - ensuring that those who benefit from public services also contribute to their funding. (At present, some 25 per cent of eligible taxpayers do not pay any Income Tax in Jersey).
- The type of GST envisaged for Jersey does not require the services of large numbers of tax authority staff. It is an efficient and relatively inexpensive tax to administer - with operating costs typically in the region of only one per cent of the tax yield.

Implementing GST in Jersey

- The compulsory issue of tax receipts and invoices provides an audit trail that gives an element of self-policing and makes the system less susceptible to fraud and evasion.
- Unlike corporation and personal income taxes, GST does not tax investments and savings. Since GST is payable when it is spent on goods and services, rather than when it is earned, this encourages saving rather than spending and indirectly rewards enterprise.
- Because GST applies only to the domestic consumption of goods and services, the GST incurred in the process of producing exports can be fully identified and refunded, assisting exporters to be competitive in the world market. It does not damage export markets and allows existing businesses to grow. Imports are also covered by GST making it a level playing field for Jersey businesses.
- Visitors to Jersey making domestic purchases would contribute to the Island's revenue.
- Because it covers a broad range of goods and services, GST is also effective in controlling the growth of overall consumption. It is not surprising, therefore, that since the mid-1980s, many advanced countries of Europe and Asia have tried to rebalance their tax systems away from a heavy reliance on direct taxes and towards the taxation of consumption. Those countries that have adopted broad-based GSTs have found them to be stable yet elastic sources of revenues that have little or no detrimental effects on the economy.

General

In designing a GST for Jersey, the underlying objectives have been to achieve a tax that would raise £40-£45 million of annual revenue but which would be as simple as possible for all concerned, while maintaining Jersey's economic competitiveness and having the minimum possible impact on the cost of living and on business activities.

The States has decided that these objectives can be achieved if GST is applied to the majority of goods and services provided on, or imported to, the Island, at a single standard rate of tax of three per cent (capped for at least three years) and with a registration threshold of £300,000.

The proposed three per cent standard rate of tax is one of the lowest in the world and the £300,000 threshold, below which businesses in Jersey would not be required to register for GST, is one of the highest in the world. By comparison, the United Kingdom standard rate of Value Added Tax (VAT) is 17½ per cent and its registration threshold is currently only £60,000.

The effect of the low but broad-based rate of tax for Jersey is estimated to produce a one-off increase in the cost of living of only one to one and a half per cent, while the high threshold would relieve the majority of small businesses from the responsibility of collecting and accounting for GST and maintain their competitiveness. In fact, it is estimated that only about a quarter of Jersey businesses (approximately 1,500) would be required to register for the tax.

For those businesses, it is the aim to reduce their cost of compliance by ensuring that the system will be easy to understand and simple to operate.

As a result of these measures, it is anticipated that the administration of GST by the tax authority would be very cost-effective. In part, this is because registered businesses would act as tax collectors and the system would be largely 'self-policing' but also, because of the proposed simple

form of the tax itself, there would be no need for special schemes and complex guidelines. The numbers of tax authority staff, and the cost to the States, would therefore be kept to a minimum.

For the consumer, the combined effect of a low rate of tax, a high registration threshold, a simple system and low cost of compliance, could increase the possibility that some of the price increases resulting from GST might be absorbed by the business community, thereby reducing the impact on the cost of living.

What will be taxed?

There are provisions in the Draft Law for some goods and/or services to be GST free by means of 'zero rating' or 'exemption' and these will be detailed in the final Law.

4 Zero rated supplies are those goods and services that fall within the scope of GST but, for socio-economic reasons, are taxed at a zero rate. Exempt supplies are not taxed, primarily because they fall into a 'difficult-to-tax' category. The difference between them is that registered businesses that supply zero rated items are able to reclaim any GST they incur in the course of their business (e.g. the GST on raw materials and running costs), while businesses making exempt supplies cannot.

However, in order to achieve a GST rate as low as three per cent, such exclusions to the tax must be as few as possible. The States has decided, therefore, that GST should be charged on imports and the domestic supplies of **all** goods and/or services ('taxable supplies') **unless** they are excluded specifically by legislation.

It is proposed that

- exports
- the international transport of goods and passengers
- international services and

- the provision of residential accommodation (i.e. the construction, sale, lease or rent of residential accommodation)

would be zero rated.

As is the case in many other VAT/GST jurisdictions, the provision of

- financial services
- insurance and
- postal services

would be classified as exempt supplies. (Part Eleven of the Draft Law refers).

In addition to zero rating and exemption, the States could decide to make a statutory provision for some form of relief from all or part of the tax for certain specific groups of consumers (e.g. charities and some non-government organisations).

Why a broad based GST is necessary

There have been calls to exclude from GST such items as

- basic foodstuff
- children's clothes
- medical supplies and services
- books and newspapers

and no doubt other exclusions will be requested.

It has been claimed that taxing them would unfairly discriminate against lower income groups and also because they are excluded in the United Kingdom system.

The reality is that exclusion of these items would result in many Jersey people paying a higher rate of GST on a narrower range of goods.

If the exclusions listed above were to be accepted the effect would be to reduce the tax yield by approximately £6 million. However, this does not take account of the tax authority's extra staff and administration costs that would be greatly increased because the GST system would be considerably more complicated, or the fact that the system itself would be more vulnerable to abuse and tax avoidance, leading to a further loss of revenue.

In Jersey's case, the extra cost of administration and potential tax avoidance cannot be quantified exactly at this stage but could be in the region of £1 - £2 million. This means that, in order to meet the required revenue yield, an additional £7 - £8 million of tax would have to be raised and this would require a GST rate of 4 per cent.

The higher the number of items that are excluded from GST then the higher the rate of tax in order to yield the required £45 million revenue.

Experiences in other GST/VAT administrations, including the United Kingdom, have demonstrated also that complex systems result in misleading descriptions of goods (e.g. small adult's clothes being described as children's clothes) and long running legal cases (e.g. what is the difference between a basic foodstuff and a luxury confectionery?) - all of which add further to the cost of administration.

A 'knock-on' effect would be that the cost to Jersey GST-registered businesses would also increase because of the extra complications and difficulty in accounting for a more complicated tax and this could lead to price increases for consumers.

In recognition of this effect, the designers of most modern GST/VAT systems seek to avoid the complex range of exclusions, exemptions and relatively high rate of tax that are features of longer-established systems such as that in the United Kingdom - Singapore and New Zealand, for example, both tax foodstuff, children's clothes etc., at a standard rate.

It has been argued by some that exclusions would help to alleviate the impact of GST on less well-off households. However, research undertaken by Crown Agents last year indicated that the actual benefit derived from the exclusions listed above is very low. In fact, the lowest income households would only benefit by around £80 per year. In cash terms, the households that would benefit most are those in the higher income bracket.

It was for these reasons that the States decided last year that, in the interest of all Jersey residents, the best option for the new tax was to 'keep it simple' by allowing the minimum number of exclusions from the tax and striving for the lowest possible rate of tax.

At the same time it was agreed that an income support scheme is a far better method of cushioning lower income groups from the effects of GST and a firm commitment was given to adopt such a scheme before the introduction of the new tax. Indeed, work on revising the income support scheme is progressing well under the direction of the Minister for Employment and Social Security.

Treatment of Imports

GST would be charged on the total value of imports (packaging and any customs or excise duties would be deemed to be part of the value) and would be collected in principle by the Customs Department in much the same way that customs duties are currently collected.

It is not intended to interfere with the principles of existing Jersey Customs clearance arrangements for commercial imports. There will be consideration for provision, therefore, for post clearance declarations and payments to ensure the free flow of legitimate imports to the Island.

Although further work is required to establish the viability of a de minimis limit on the value of imports, imported by whatever means, below which GST would not be applied, the challenge is to design a mechanism which imposes the minimum burden, and therefore cost, on

customers, importers and the tax authority, while protecting the GST revenue yield and the interests of local businesses against unfair competition. Details will be included in the Draft Law or in subsidiary regulations.

Registration

Businesses which make ‘taxable supplies’ (goods and/or services which attract GST at the standard or zero rate of tax), as defined in the Law, would be required to register for GST if they were above the registration threshold. This threshold would be determined in terms of an annual sales turnover of ‘taxable supplies’ (not just sales), set at £300,000.

Registered businesses, whether providing zero rated or standard rated goods and/or services, would be able to reclaim any GST payments made in the course of their business but GST would be charged to customers only on standard-rated items.

Those businesses below the statutory threshold would not be required to register, although it is proposed that voluntary registration should be allowed for suitable businesses operating below the threshold. This dispensation would be for those businesses whose ability to comply with GST law is not in doubt and which have good grounds for registration, e.g. supplying bigger businesses which choose to deal only with other GST-registered businesses.

Businesses providing only exempt supplies would not be eligible to register for GST, since exempt supplies are not subject to GST. Those providing a mixture of taxable and exempt supplies would be required to distinguish between them and only their taxable supplies would count in meeting the £300,000 threshold.

Non GST-registered businesses (whether as a result of being below the registration threshold or because they supply only exempt goods and/or services), would not be able to obtain relief on any GST incurred in the course of their business and

would be prohibited from charging GST to their customers. They would be classed as ‘final consumers’ and any GST they paid in the course of their business would ‘stick’ with them.

All businesses that meet the criteria for registration would be required to be registered by law before the start of GST, or as soon as their taxable turnover was likely to reach the £300,000 threshold.

GST Returns

GST is essentially a self-assessment tax, under which registered businesses are required to submit periodic declarations (‘GST Returns’) of the value of their sales and purchases, the amount of GST charged or reclaimed and the overall tax due to the tax authority. In GST parlance, sales and their related GST are referred to as ‘outputs’ and ‘output tax’ and purchases, expenses and their related GST as ‘inputs’ and ‘input tax’.

It is proposed that Jersey GST returns should also include a declaration of the value of any imports and the related GST; the value of exports; and the value of exempt supplies.

Tax Invoices and Records

‘Tax invoices’ are required under GST for each taxable supply made by a GST-registered business. The GST Law will prescribe a minimum content for such invoices but the content of a tax invoice will be similar to that shown on a normal commercial invoice. It is proposed to include the invoice number; the name, address and GST registration number of the supplier and purchaser (if registered); a description of the goods/services supplied; the date and value of the supply; and the GST charged. Less detailed documentation is proposed for the retail sales of low-value, high-volume items.

Reducing the burden on business

It is the intention to reduce the GST burden on businesses by keeping the administrative

requirements simple, as far as possible, and by minimising their cost of compliance.

As a first step, the high £300,000 threshold will mean that approximately three quarters of Jersey's businesses will not be involved at all in the administration of the tax. They will not be required to register and will be treated simply as ordinary final consumers. They will pay GST on their business expenditures that are subject to the tax but they will not charge GST to their customers, or be required to account for it.

Those businesses that are required to register should find it a relatively easy matter to adapt their existing accounting records to comply with the GST regulations. To further simplify their obligations, it is proposed to allow registration, tax returns and payments to be completed either electronically or in paper form.

With regard to the filing of GST returns and the payment of any tax owing, the GST law will prescribe a 'due date' for completion. However, it is intended that the frequency of returns and payments should not unduly inconvenience businesses.

As part of this consultation, therefore, the views of potential GST-registered businesses are being sought on the timing of returns. It might be possible, for example, to grant businesses a reasonable option to make declarations and returns to meet their own particular operations and circumstances. A long period between returns and payments would enable some businesses to benefit from the interest on the GST they have collected, thereby helping to offset any cost they have incurred in complying with the law and the regulations, while a shorter period may assist some importers who have had to put money 'up front' and would benefit from a quick recovery of their input tax.

It is also possible that registered businesses could be allowed to account for any tax and make payments to the tax authority only after they have

received payment from their customers, rather than at the point of invoice, as is the case in the United Kingdom and most other GST/VAT systems. This would avoid the compounding of financial problems for businesses caused by bad debts and would reduce the cost of administration for the taxation authority, since it would not be necessary to operate a complicated and expensive bad debt relief scheme.

The views of the business community would be especially beneficial on this point also.

Treatment of the Financial Services Industry

In general terms, countries almost invariably treat supplies by the financial services industry as exempt because the services provided are regarded as too difficult to tax. However, in response to a strong view expressed in previous public consultation, the States has indicated that it is seeking a £5 - £10 million GST contribution from the financial services industry.

It is acknowledged, however, that there are well-known practical and theoretical difficulties in applying GST to financial services and a simplified special scheme, or schemes, will be required. Because of the importance of the industry to the economy, such a scheme, or schemes, must not place the Island at a competitive disadvantage that would result in the loss of financial service businesses to other international business centres.

To assist this process, a separate consultation paper dealing specifically with the treatment of financial services is being published and meetings with representatives of the industry and others will be undertaken to determine an equitable scheme. Details of the final scheme will be included in the final legislation.

Administration - keeping it simple and cost-effective

The tax will be administered by the Comptroller of Income Tax, with Jersey Customs acting as his agent for the tax on imports.

The Comptroller will have legal powers to enforce the Law and regulations, including the power of authorised entry to and search of premises, but not the power of arrest. However, it is proposed that Jersey's GST should be managed in a 'business-friendly' and flexible manner and, as described, the proposed legislation and regulations will be designed, as far as possible, to accommodate business practices and to minimise the cost of compliance.

It is the intention also that the legal requirements should be straightforward to understand and that compliance should be as easy as possible.

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In the form proposed, it is anticipated that the tax would require only ten additional staff in the Income Tax and Customs departments. There would be initial set-up costs and an investment in information technology systems would be required but this would be relatively modest.

It is confidently anticipated that a simple, cost-effective system of GST is possible for Jersey, with administrative costs, including staff salaries, being in the region of only one per cent of the revenue yield.

Penalties

Fraudulent attempts to evade the payment of GST, or to divert tax monies for unlawful personal use, work against the whole of society. It is likely therefore, although not yet decided, that the penalty for cases of fraudulent evasion would be severe. Offences relating to imported goods will be dealt with by the existing provisions of the Customs and Excise (Jersey) Law (1999).

However, it is not the intention to make life difficult for legitimate businesses who make genuine mistakes - rather to encourage and assist their voluntary compliance. To this end, although there will be administrative penalties, or surcharges (the amounts to be decided), for a failure to register, lateness, or inaccuracies in submitting returns, it has been suggested that the Comptroller of Income Tax will not exercise this power during the early stages of the tax, except in persistent cases of non-compliance or deliberate dishonesty.

Appeals

It is proposed that the existing system of appeals for Income Tax matters should be adopted for GST. Under this system the Commissioners for Appeal or the Courts would determine any unresolved complaint or appeal. The existing Customs appeals procedure would deal with matters relating to imports.

Launch

Following any modifications as a result of consultation, a final version of the enabling law should be ready to place before the States Assembly for approval before the end of this year. Royal Assent would then be sought.

Staff recruitment and training and the production of GST manuals and educational material would take place during the first half of 2007. The registration of businesses would be undertaken in the second half of that year.

GST would be then ready for introduction early in 2008.

The new GST Law

In designing any law it is important to ensure that it will properly reflect government policy and will not require constant rewriting and amendment. Taxation legislation in particular is necessarily complicated since it must cover all eventualities in an attempt to secure a balance between stimulating voluntary compliance and the protection of the revenue from abuse.

The Draft Law might be difficult to understand, for those not familiar with legal practice and jargon. To make it more accessible, a summary appears in the following pages.

For those who wish to study the full document, it is available from the States website (www.gov.je) or as a printed document from the States offices at Cyril Le Marquand House and Morier House, from the library, or from Parish Halls.

It is intended to produce a series of easy-to-read public notices and leaflets to provide a lay person's guide to the final version of the Law and the obligations it places upon taxpayers.

In addition, following enactment, tax authority staff will make educational visits to businesses as they register, to ensure that they are fully aware of their obligations and that they are properly prepared to collect and account for the tax when it is introduced.

How can I make my views known?

Please forward your comments, suggestions, or questions, in writing by Tuesday, 20 June 2006 to:

The GST Consultation Team,
Income Tax Office,
1st Floor, Cyril Le Marquand House,
The Parade,
St Helier, JE4 8PF

or e-mail gstconsultation@gov.je

Timetable

2006

28 March Draft GST legislation published and discussions with Scrutiny Panel commence. Consultation on GST Implementation Proposals begins.

20 June Deadline for comments on GST Implementation Proposals.

July Consultation on draft GST Regulations and update of economic data, in particular the latest Household Expenditure Survey, and GST impact assessment.

31 August Deadline for comments on draft GST Regulations.

November States debate on GST legislation.

2007

January Legislation enacted.

February-June Production of trade and public information/educational material.

February-June Tax authority recruitment and staff training.

June GST Registration begins.

June-December Educational visits to all GST-registered businesses.

October-December Final preparations.

2008

Early 2008 Tax introduced.

A Summary of the main provisions of the Draft GST Law

Notes on the articles of the Draft Goods and Services (Jersey) Law

These notes on the Articles and supporting Schedules in the Draft Goods and Services (Jersey) Law are intended as a summary of the provisions of the proposed Law and as guidance for those wishing to examine the Draft Law document in more detail.

There are, at this stage, some gaps in the draft. This is because completion of these Articles is dependent upon further work and feedback from the consultation.

The draft Law is divided into 17 Parts and 8 Schedules, as follows:-

Part 1:	Preliminary
Part 2:	Imposition of GST
Part 3:	Registration and Responsibility under Law
Part 4:	Public Sector
Part 5:	What is a Supply?
Part 6:	Place of Supply
Part 7:	Time of Supply
Part 8:	Reverse Charge for Certain Services from Abroad
Part 9:	Value
Part 10:	Payment of GST by Taxable Persons
Part 11:	Reliefs, Exemptions and Repayments
Part 12:	Administration
Part 13:	Failure to Comply
Part 14:	Late Refunds
Part 15:	Appeals
Part 16:	Offences
Part 17:	Miscellaneous
Schedule 1:	Registration
Schedule 2:	Supply
Schedule 3:	Reverse Charge to GST: Services Treated as Supplied Where Received
Schedule 4:	Valuation of Supply: Special Cases
Schedule 5:	Exempt Supplies
Schedule 6:	Powers of Entry and Search
Schedule 7:	Amendments and Repeals
Schedule 8:	Transitional Provisions and Savings

Part 1: Preliminary

This is the introductory Part in the proposed Law. It contains five Articles describing the terms used in the main body of the Law.

Article 1 is simply a dictionary of terms. In particular, it defines ‘taxable supply’ as a supply other than an exempt supply.

Article 2 describes in detail what is meant by ‘business.’ The proper identification of a business activity is fundamental to the operation of a GST regime, since the tax must be charged on any taxable supply of goods and/or services made in Jersey by a taxable person “in the course or furtherance of any business.” For the purpose of this law ‘business’ includes any trade, profession, vocation or employment and the carrying on of a business includes the provision by a club, association, or organisation of facilities or advantages to its members. This Article also makes provisions in relation to the termination or disposal of a business.

Article 3 deals with the relationship between ‘connected persons’ - e.g. husbands and wives, relatives, business partners and companies, where the same person or persons have control. It is important to have this explanatory provision since the Comptroller may direct that an open market value should be applied to goods and/or services supplied between connected persons. This is primarily to combat tax avoidance.

Article 4 deals with ‘belonging.’ This is a concept peculiar to GST and VAT law and is important in establishing whether a supplier of goods and/or services is liable to register as a Jersey GST business - i.e. whether that supplier “belongs” to Jersey as a result of domicile or residence, or whether, as an out-of-Jersey supplier, is not subject to the Jersey GST provisions.

Article 5 defines the usual place of residence for bodies corporate and branches.

Part 2: Imposition of GST

This Part of the proposed Law defines the scope of GST and contains three Articles (Articles 6-8).

Article 6 specifies that GST will be charged on the supply of goods and/or services in Jersey made by taxable persons (i.e. those businesses registered for GST) in the course or furtherance of business, and on the importation of goods from outside Jersey, charged as if it was a customs duty. (Article 6 at present makes no mention of a de minimis level for personal/non-commercial imports below which GST will not be charged).

Article 7 places the liability for GST upon the supplier or the person importing goods.

Article 8 gives the legal authority to charge GST at a single general rate of three per cent by reference to the value of the goods, supplies, or imports and confers powers to amend the rate, but not before three years. This meets the States’ promise to cap the rate of tax for a period of at least three years.

Part 3: Registration and Responsibility under Law

This Part of the legislation is concerned with registration issues and contains 8 Articles (Articles 9-16). Necessarily the registration provisions will come into force six months prior to the start date of the tax, under the transitional arrangements to be set out in Schedule 8.

Article 9 gives force to Schedule 1. This Schedule, together with subordinate legislation, will cover the issues relating to registration generally. It also requires the Comptroller to maintain a register of GST-registered taxpayers.

Articles 10 and 11 deal with partnership issues and take into account the slight differences in the treatment of partnerships in Jersey and the United Kingdom. Importantly, under this Part of the Law, all the members of a partnership shall be deemed to have supplied goods or services supplied in the name of the partnership, or by one or more of the

partners. Article 11 gives the Comptroller the authority to register a partnership, upon application.

Article 12 gives the Comptroller the authority to register an unincorporated association, upon application. It also enables the States to prescribe, by Regulations, what bodies may be treated as unincorporated associations for the purposes of this Article.

Associations and clubs operating as a business (i.e. providing of facilities, or advantages to their members for a fee, or other consideration) would be liable for GST if their taxable turnovers were above the registration threshold. Charitable organisations and some non-government organisations could be given some form of relief, yet to be decided.

Article 13 deals with the position of agents and stipulates that goods imported by a taxable person importing goods on behalf of a principal, who is not a taxable person, may be treated as goods supplied by the agent.

Articles 14 and 15 deal with the position of representatives. Article 14 gives the Comptroller the power to direct a person to appoint a GST representative where, for example, that person does not have a business establishment or residence in Jersey. It confers liability on the representative for compliance with the GST Law and the payment of the tax, except in cases of the commission of an offence by the principal, of which the representative had no knowledge. Article 15 deals with the temporary provision for a person to be treated registered, without being registered, in cases where that person takes over the running of a business in the event of the death, bankruptcy or inability of the registered person to run the business. This is an important provision to prevent tax avoidance.

Article 16 covers the obligations on both parties when businesses are transferred as going concerns. Again this is an important provision to

prevent tax avoidance. It is designed principally to protect the revenue by preventing a situation where a business charges GST which is claimed as input tax by the new business but is never declared or paid by the old business. However, it also assists businesses by improving their cash flows and avoiding the need to separately value assets - which may be partially zero-rated or exempt, and which have been sold as a whole.

Part 4: Public Sector

This Part contains three Articles (Articles 17-19) and deals with the position of the Government of Jersey and the 12 Parishes.

Article 17 determines that the States are liable to be registered and would be required to charge GST on its taxable supplies. However, the States would have special status under the Law and would be able to reclaim any GST incurred in the course of all their statutory activities, whether or not they were business-related. At present this Article in the draft Law states that supplies to and from States departments should be treated in the same way as supplies between the States and any other person. However, it is an option that the States should be treated as a single entity for the purpose of the Law and this is a matter for consultation.

Articles 18 and 19 give the States the power to make Regulations to determine the position of the States and the 12 Parishes of Jersey as registered businesses. However, this is a complex issue and more work is required to determine the status of the Parishes under the GST Law.

Part 5: What is a Supply?

Part Five is concerned simply with the meaning of the term 'supply' and distinguishes supply of goods from supply of services.

Article 20 is the only Article in this Part. It states that, for the purposes of the Law, a supply is anything that is specified in Schedule 2 of the Law. It also gives the authority to the States to

determine by Regulations what is and what is not a supply of goods and/or services.

Part 6: Place of Supply

Currently there are three Articles (Articles 21-23) in this Part dealing with the place of supply. This is important in determining whether goods and services are liable for GST.

Article 21 simply states that Part 6 will determine, for the purposes of the Law, whether goods and/or services are supplied in Jersey.

Article 22 covers the factors that determine whether goods and/or services are supplied within Jersey and includes provisions on the removal of goods from Jersey for processing and assembly.

Article 23 determines that a supply of services shall be treated as made a) in Jersey, if the supplier 'belongs' in Jersey (See Article 4), or b) in another country, if the supplier belongs in that other country.

Part 7: Time of Supply

In order to prevent tax avoidance, some fairly complex rules are necessary to determine the point at which the supplies of goods or services are provided to customers and thereby become liable to tax. The five Articles (Articles 24-28) in Part 7 define these rules.

Article 24 states simply that Part 7 is the relevant Part for the determination of time of supply.

Articles 25 and 26 determine when goods and/or services are deemed to have been supplied - i.e. when goods have been removed or made available to the customer or, in the case of a supply, when it is fully performed.

Article 27 deals with the issuing of invoices. In particular, this Article states that if an invoice is issued, or payment is received, before the time specified in Articles 25 and 26, the date of the

invoice or payment will be considered to be the time of supply.

In order to protect registered businesses from the effects of bad debts, however, it is proposed that, subject to consultation, provision should be made for the tax to be rendered to the tax authority only after payment has been received from customers and not at the point of supply or invoice, as is the case in most other countries operating a GST or Value Added Tax (VAT) system.

Part 8: Reverse Charge for Certain Services from Abroad

Reverse charging is basically a protectionist measure to prevent local suppliers being disadvantaged by the importation of services from outside Jersey.

Article 29 is the only Article in Part 8. It states that if the taxable supply of a service is provided by a person who belongs in another country (See Article 4) to a taxable person who belongs in Jersey for the purpose of any business of that person, then the person receiving the service, not the supplier, shall be liable for the tax. However, the person receiving the service may reclaim the GST element of the cost, subject to normal rules for recovery.

Part 9: Value

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 or services, for example. In this case, a monetary value is placed upon the alternative consideration and the GST element is calculated as a percentage of the monetary value (in Jersey's case currently proposed at three per cent). The two Articles in Part 9 (Articles 30 and 31) and Schedule 4, deal with the detail of the valuation of goods, services and imported goods.

Article 30 distinguishes between supplies made for money and those made for other considerations.

Article 31 covers the valuation of imported goods, which will be treated as though they were subject to customs duty under the existing Customs and Excise (Jersey) Law 1999. The legal value of goods imported into Jersey will therefore include all taxes, duties and other charges levied on the goods, either outside or as a result of import to Jersey, plus all costs by way of commission, packaging, transport and insurance up to the port or place of importation, exclusive of GST.

Part 10: Payment of GST by Taxable Persons

Part 10 is one of the longest Parts in the Draft Law, with 13 Articles (Articles 32 - 44) dealing with the way in which GST will be paid, reclaimed and accounted for by registered businesses.

Article 32 introduces the concept of 'input' and 'output' tax - input tax being the GST incurred by a registered business in the course of carrying out that business that can be reclaimed from the tax authority and output tax being the GST element of the sales of taxable supplies of goods and/or services to customers that must be collected, recorded and paid to the taxation authority by the registered business.

Article 33 enables the States to prescribe by Regulations the timing and manner of accounting for GST. Whether accounting periods should be monthly, quarterly, six-monthly, or other period has not yet been determined. A longer accounting period could be of advantage to some businesses by allowing them to benefit from the accrual of interest on the GST they have collected and this could offset any additional cost incurred by them in complying with the GST Law. However, it is the intention to meet, as far as possible, the convenience of all sections of the business community and, again, this is a matter for consultation.

Article 34 enables the registered business, when making a return to the tax authority, to offset any input tax against the output tax due to the authority. If the credit at the end of the accounting period exceeds the output tax, the registered business will be entitled to a repayment by the tax authority.

Article 35 however, enables the Comptroller to withhold the repayment of input tax if, for example, a registered business has failed to submit a return, or has made no taxable supplies during the period. This is a measure designed to combat possible fraud.

Article 36 specifies the amount of input tax and types of supplies and importations allowable under Article 34.

Article 37 deals with goods imported by a taxable person (registered business) for private purposes and specifies that the GST on these items will not be regarded as input tax to be credited. However, this Article also gives the Comptroller discretion to allow a claim for repayment in certain circumstances.

Articles 38 and 39 are revenue protection Articles that enable the States to make Regulations to require pre-payment in some circumstances of any GST that may become due in a future accounting period. It is also proposed that the Comptroller will also have powers to ask for pre-payment in order to facilitate collection. In addition, the Comptroller would also have the power to require the production of supporting documents or security against future payment.

Article 40 requires taxable persons to keep accounts and other records and to make returns and statements in accordance with regulations.

Article 41 requires taxable persons to give receipts to customers for the supply of goods and services, detailing the particulars of the supply, the names of persons by and to whom the goods or services are supplied and the particulars of the GST charged.

Article 42 enables the States to make further provisions by way of Regulations relating to the issues outlined in Part 10.

Article 43 deals with the question of trivial amounts recorded on returns and specifies that any amount of input or output tax of less than £1 will be treated as nil.

Article 44 states that any GST due from any person shall be recoverable as a debt to the States. It stipulates that, if any invoice shows a supply of goods and/or services, an amount of GST will be due equal to that shown on the invoice as GST or, if GST is not separately shown, the element of GST that should be applied.

Part 11: Reliefs, Exemptions and Repayments

As stated in the discussion document, there is provision in the draft legislation for some exclusions from GST by means of zero-rating or exempting certain items. In addition, the States could decide to make a statutory provision to grant other types of relief for certain specific groups of consumers (e.g. charities and some non-government organisations). Part 11 deals with these issues under 13 Articles (Articles 45-57).

(Zero rated supplies are those goods and/or services that fall within the scope of GST but, for socio-economic reasons, are taxed at a zero rate. Exemptions are sometimes allowed for social or difficult-to-tax reasons. Exempt supplies are excluded from the scope of GST and are not taxed. Other forms of relief could include end-user relief or repayment schemes).

Article 45 gives effect to Schedule 5, which specifies what supplies would be classified as 'exempt.' A very small group of exemptions are envisaged - i.e. financial services, insurance and postal services.

Articles 46-49 deal with zero-rated supplies. These are supplies which are treated as taxable supplies but attract a nil rate of tax and include:

- (a) Exports of goods;
 - International transport of goods and people, including ancillary services provided by the main supplier;
 - Services in connection with handling of commercial ships or aircraft and their stores;
 - International telecommunications services; and
- (b) Supplies related to the provision of domestic/residential accommodation (eg. construction, sale, lease, rental, repair and maintenance).

The States may, by Regulations, add other categories of supplies.

Article 50 provides for refunds of GST to private individuals constructing their own residential dwellings.

Article 51 provides for the relief on the supply of certain second-hand goods. It enables the States to make provision by Regulations to secure a reduction of the GST chargeable on the supply of some goods. However, this article also is subject to consultation and whether a 'margin scheme' (i.e. GST charged on the difference between the selling price and the buying price) should be introduced for some second-hand supplies.

Article 52 deals with the question of partial refunds for goods and services provided for mixed use - i.e. part business, part private use - and sets out the conditions to be satisfied.

Article 53 has the aim of stimulating new Jersey-based businesses. It makes provision for the possible relief of GST on capital goods, where the supply or importation of machinery or plant is for

the purpose of the business and where GST cannot be credited under Article 34.

Article 54 allows businesses to claim bad debt relief on GST payments if they have made supplies to customers but have not been paid. However, an alternative arrangement, which has been highlighted for consultation, is to require businesses to pay GST to the tax authority only after they have received payment from their customers. This would avoid the necessity of complex rules for a bad debt relief scheme and could reduce the cost of collection for the tax authority.

Article 55 enables the States to make Regulations to remit the GST on imported goods in certain circumstances - e.g. where goods are exported after being imported, or where it is considered a necessary expedient with regard to international agreements that affect Jersey. This Article also enables regulations to be made to prohibit or restrict the disposal of goods after their importation.

Article 56 enables Regulations to be made to give relief in other circumstances.

Article 57 allows for the deferment of GST payments in the interest of facilitating the free flow of imports. It enables post import payments on imported goods, thereby allowing the delivery or removal of goods before GST is paid to the taxation authority.

Part 12: Administration

Part 12 is concerned with the responsibilities for the administration of GST and contains three Articles (Articles 58-60).

Articles 58 and 59 make the Comptroller Income Tax responsible for the administration of the GST Law and give the Comptroller the authority to appoint persons to carry out functions under the Law.

Article 60 will allow an amendment to the Customs and Excise (Jersey) Law 1999 to include GST on imports as a customs duty and enables the functions of Customs and postal officers to apply in respect of GST, in much the same way as they would in respect to Customs duties on imports.

Part 13: Failure to Comply

In order to protect the revenue there is a need for penalties that will discourage non-compliance with the law or regulations. However, as mentioned in the Draft Policy Paper, it is intended that the administration of GST should be conducted in the most business friendly manner possible, with minimal disruption for the business community.

Therefore, while Part 13 contains ten Articles (Articles 61-70) that outline the types of non-compliance that would attract penalties, or surcharges, it is suggested that the Comptroller should not exercise these powers during the early months following the introduction of GST, except in cases of persistent non-compliance, or dishonesty. This will allow for genuine mistakes or misunderstandings among the business community as they become more familiar with their obligations under the new tax.

The authority for the Comptroller to relax penalties will be contained in Schedule 8: Transitional Provisions and Savings. The period of grace is a matter for consultation. Where amounts of surcharges are included in Part 13, these are also subject to consultation and final decisions.

The question of penalties for serious cases of fraud or misappropriation are likewise yet to be decided but will almost certainly involve a heavy prison sentence and perhaps unlimited fines, or both.

Failures of compliance relating to imports will be covered by the Customs and Excise (Jersey) Law (1999) and work is under way to ensure compatibility with the GST Law.

Article 61 enables the imposition of a surcharge if dishonest conduct is involved in an attempt to evade GST or to obtain credit or refund of GST. The surcharge is set at an amount equivalent to the amount of GST evaded or refunded or sought to be evaded or refunded.

Article 62 deals with the liability of directors, partners and managers of corporate bodies in relation to surcharges where corporate dishonesty is involved and enables the Comptroller to recover any portion of the surcharge from an individual, as if that person were personally liable.

Article 63 deals with surcharges in cases of failure to give a notice under Schedule 1 (Registration), or failure to comply with Article 40 (keeping accounts and other records and making returns and statements in accordance with Regulations), or the issuing of GST invoices while not being a registered person, a body corporate, or the States. The surcharge is stated at the higher of £200 or ten per cent of the relevant GST.

Article 64 details the surcharges for failure to pay GST on time (ten per cent of the amount) and for failure to make a return on time (£200).

Article 65 relates to surcharges that may be made if returns of paperwork are inadequate. It enables the Comptroller to make an assessment of the amount of GST that is due and to impose a surcharge of £200 on any amount of GST, including a zero amount, in cases where there has been a failure to keep proper records or accounts.

Article 66 similarly relates to surcharges in cases of failure to account for goods. It gives the Comptroller the power to direct a taxable person to account for any goods that have been supplied or imported in the course of business and, if the person fails to respond, allows him to make an assessment of the amount of GST that would have been chargeable and to impose a surcharge of £200.

Article 67 enables the Comptroller to reclaim any repayments in cases where the repayment should

not have been due, whether or not there was a failure on the part of the taxable person or the Comptroller.

Article 68 places time limits on certain assessments under Articles 65 and 66.

Article 69 details the factors that may be taken into account when determining the amount of a surcharge.

Article 70 contains general provisions in relation to surcharges. It includes a condition that the cessation of any conduct giving rise to a surcharge shall not affect the liability to the surcharge but offers a defence of “a reasonable excuse” against surcharging.

Article 71 requires the Comptroller to serve a notice on a person of any assessment made in respect of that person under Part 13.

Part 14: Late Refunds

There are two Articles under Part 14 (Articles 72 and 73) concerning the mechanism for the refunding of overpaid GST and compensation for late refunds.

Article 72 states that if a person is entitled to a GST credit or a refund under Part 11 or Article 52, the credit or refund shall be increased by of five per cent or £50, whichever is the greater, if the Comptroller has failed to make a refund within 30 days after receiving the claim.

Article 73 states that the Comptroller must repay a legitimate claim for overpayment of GST made within six years after the original payment. In cases where the overpayment was because of a mistake, the six years shall run from the date when the mistake was discovered, or by reasonable diligence could have been discovered, whichever is the earlier.

Part 15: Appeals

There are four Articles (Articles 74–77) under Part 15, dealing with appeals procedures.

Article 74 establishes that an appeal shall lie with the Commissioners for Appeal under Part 6 of the Income Tax (Jersey) Law 1961 against a decision of the Comptroller on matters including registration, payments and claims, surcharges and assessments. In cases relating to imports (Article 74(d)) it is proposed that the existing Customs and Excise appeals procedures will be adopted.

Article 75 outlines how Part 6 of the Income Tax law shall be applied.

Article 76 states the grounds on which 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. Article 76 gives the power to the Commissioners, if they find in favour of an appellant, to direct the Comptroller to pay the sum due plus any interest, and vice versa.

Article 77 enables the Comptroller and the appellant to make a settlement agreement following the lodging of an appeal but before the matter has been determined by the Commissioners.

Part 16: Offences

In addition to offences of fraud under customary law Part 16 contains five Articles (Articles 78-82) that outline offences and penalties that are specific to GST. Offences relating to imports will be covered by the Customs and Excise (Jersey) Law (1999) and work is under way to ensure compatibility with the GST Law.

Article 78 makes it an offence under the Law to provide the Comptroller, or entitled persons, with false or misleading information, knowingly or recklessly. The proposed penalty for a person guilty of an offence under this article is a term of imprisonment of five years and an unlimited fine. This Article, subject to consultation, may be broadened to include, inter alia, “any person who

is knowingly concerned in the fraudulent evasion of GST.”

Article 79 makes it an offence fail to comply with a direction of the Comptroller, without reasonable excuse, and sets a penalty (to be decided).

Article 80 states that a person shall be guilty of an offence if, without reasonable excuse, the person obstructs an authorised officer in the execution of his or her functions under the Law or fails to provide the officer with reasonable assistance when the officer is carrying out functions under the Law on the person’s premises. Anyone guilty of such an offence shall be liable to a penalty (to be decided).

Article 81 prescribes a penalty (to be decided) for any person dealing in goods or accepting services, having reason to believe that GST has been evaded on the supply of goods or services, or the importation of goods.

Article 82 is the standard provision dealing with offences by bodies corporate, aiders and abettors.

Part 17 - Miscellaneous

There are 12 Articles (Articles 83-94) under the Miscellaneous Part of the draft Law, dealing mainly with procedural requirements.

Article 83 applies to persons concerned, in whatever capacity, in the supply of goods or services, or importation of goods, in the course or furtherance of business and requires them to furnish the Comptroller with information regarding those goods and services, within the time and manner reasonably required by the Comptroller.

Article 84 gives the power to authorised persons to require any person making supplies referred to in Paragraph 16(2) of Schedule 4 to open any gaming machine and to do anything else necessary to ascertain the value of supplies referred to in that Paragraph.

Article 85 gives effect to Schedule 6 concerning the powers of entry and search by authorised

officers. It is proposed that officers appointed by the Comptroller shall have the powers of entry and search but not powers of arrest.

Article 86 enables a certificate of the Comptroller to be sufficient as evidence, until proved to the contrary, that a) a person was or was not registered; b) a required return had or had not been made; c) a statement of notification required to be submitted to the Comptroller had or had not been made; and d) that any GST shown as due in any return or assessment had or had not been paid.

Article 87 applies to criminal proceedings against a person for a GST offence, whether under this law or otherwise, and proceedings for the recovery of GST, and deals with the admissibility of documents produced by that person.

Article 88 enables the Comptroller to approve procedural requirements - i.e. applications, claims, demands, notices, notifications or other instruments for the purpose of this Law. The Comptroller may also refuse to carry out a function that relates to these instruments, if it is not in accordance with the requirements, or if it is not accompanied by any prescribed fee.

Article 89 states that the Comptroller may exercise his powers in relation to directions and notices differently in relation to different cases and classes, and that directions and notices can be amended or revoked.

Article 90 requires public notices to be given in accordance with Regulations, or by any means likely to bring matters to the notice of those persons concerned.

Article 91 enables the States to make Regulations to bring this Law into effect. Such Regulations may cover a) the inclusion or correction of information; b) amendments to schedules; c) the prescription of formal or procedural requirements for applications, claims, demands, notices and notifications and other instruments; and d) the modification of the Law regarding any expression

of time, amount of money, percentage or proportion, or any other numerical quantity, but not any fine or other penalty.

The States may also make Regulations under Article 91 regarding transitional or supplementary matters that may be expedient. Regulations may create an offence punishable by a fine of level four on the standard scale.

Article 92 gives effect to Schedule 7, concerning amendments and repeals.

Article 93 gives effect to Schedule 8, concerning transitional provisions and savings.

Article 94 cites this law as the Goods and Services Tax (Jersey) Law 200- and gives a date of commencement on such day or days as the States may appoint by Law.

SCHEDULE 1 (Registration) relates to Article 9 and covers 1) the liability to be registered; 2) notification; 3) registration; 4) changes to be notified; 5) single taxable persons; 6) single taxable persons: supplementary direction; 7) single taxable persons: additional; 8) voluntary registration; 9) cessation of liability to be registered; 10) notification no longer liable to be registered; 11) cancellation of registration; 12) exemption from registration; and 13) general.

SCHEDULE 2 (Supply) relates to Article 20 and covers 1) the transfer of property; 2) the issue of face-value vouchers; 3) transfer of right; 4) transfer of possession; 5) treating or processing; 6) the supply of energy (including water and gases); 7) transfer of major interest in land; 8) transfer of assets of business and samples; 9) sale of business assets to recover debt; 10) business assets of person ceasing to be taxable; and 11) the land part of assets of business.

SCHEDULE 3 (Reverse Charge to GST: Services Treated as Supplied Where Received) relates to Article 29 and covers 1) the transfer and assignment of copyright, patent, licence etc; 2) advertising services; 3) services of consultants

and other experts; 4) data processing and other information; 5) acceptance of obligation concerning copyright, patent, licence etc; 6) banking financial and insurance services; 7) the supply of staff; 8) the letting and hire of goods (other than transport); 9) telecommunications; 10) services rendered in the procurement of other services; and 11) any service when supplied to a registered person.

SCHEDULE 4 (Valuation of Supply - Special Cases)

relates to Article 30 and covers 1) interpretation; 2) supply below value between connected persons; 3) supply for resale where the recipient is not taxable; 4) value including excise; 5) discount for prompt payment; 6) credit vouchers; 7) retail vouchers; 8) postage stamps; 9) other vouchers; 10) free vouchers; 11) prescribed supplies of goods; 12) prescribed supplies of services; 13) reverse charge situations; 14) supply of accommodation; 15) accommodation and catering for employees; 16) foreign currency considerations; 17) gaming machines; and 18) certain aircraft.

SCHEDULE 5 (Exempt Supplies) relates to Article 45 and covers 1) finance; 2) insurance; and 3) postal services.

SCHEDULE 6 (Powers of Entry and Search) relates to Article 85. Paragraphs under this Schedule are to be decided later. However, it is proposed that officers appointed by the Comptroller should have powers of entry and search in order to protect the GST revenue but not the power of arrest.

SCHEDULE 7 (Amendments and Appeals) relates to Article 92. Paragraphs under this Schedule are to be decided later.

SCHEDULE 8 (Transitional Provisions and Savings) relates to Article 93 and covers the Regulations that may be made by the States to make provision for savings or transitional arrangements consequent on the enactment of this Law and any changes to it.

