

Open Agenda

Copy No:

No: 18/2021

Memorandum for Executive Council

SUBJECT Proposed Update to Customs Duty Concessions for Approved Investments

Memorandum by the Chairman of the Economic Development Committee

ADVICE SOUGHT

1. **Executive Council is asked to consider and advise whether the Customs Duty concessions (Annex A) for Approved Investment Status (AIS) should be updated to reflect that Customs Duty on vehicles is now charged at a fixed rate rather than a percentage of value.**

BACKGROUND & CONSIDERATIONS

2. At the Executive Council meeting held on 26th June 2018 Executive Council advised that the Investment Policy 2018 should be approved. At the Executive Council meeting held in 23rd April 2019, Executive Council advised that the Investment Strategy 2018 should be approved.

3. In the policy, Approved Investment Status (AIS) provides for a reduction in Customs Duty from 20% to 5% or 0% for the import of capital items.

4. In December 2019, the customs tariffs on passenger vehicles were amended to move from a value-based calculation to a fixed rate of duty based on CO₂ emissions. Because of this change, it is not possible to apply the concessions for AIS to vehicles in the way that was intended.

5. Therefore it is recommended that AIS B, which reduces customs duty from 20% to 5% for capital items (a 75% reduction in tax) also can reduce the vehicle duty by 75%.

a. For example, if the duty payable for an imported van was £400, Approved Investment Status B would reduce the duty payable to £100. The Approved Investment Status A would stay as an exemption for duty.

FINANCIAL IMPLICATIONS

6. None. No passenger vehicles that would be subject to the fixed duty amounts have been imported through the AIS to date.

7. This is to ensure that the concessions can be applied as intended for vehicles being imported through AIS in the future if it is shown that those vehicles are critical to the

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approved investment.

ECONOMIC IMPLICATIONS

8. None.

CONSISTENCY WITH INVESTMENT POLICY PRINCIPLES

9. There is no change to the Investment Policy Principles.

PUBLIC/SOCIAL IMPACT

10. None.

ENVIRONMENTAL IMPACT

11. None.

PREVIOUS CONSULTATION/ COMMITTEE INPUT

12. This is largely an administrative change that would not be subject to public consultation.

13. The Economic Development Committee considered and endorsed this proposal at its February 2021 meeting in addition to other updates to the Investment Policy. (These will be presented to Executive Council in a separate memorandum.)

14. While the Investment Policy is the remit of the Economic Development Committee, changes to Customs Duty regulations would typically be reviewed and endorsed by the Finance Committee.

15. In order for these changes to be implemented in time for the new financial year, the Chairman of the Finance Committee and Chairman of the Economic Development Committee have agreed to take the matter to Executive Council as approved by Economic Development Committee and then ratify it at the next meeting of the Finance Committee.

PUBLIC REACTION

16. Likely none. This change updates the concessions available to approved investments to bring them in line with current Customs Duty regulations, ensuring that SHG policy is implemented in a consistent manner.

PUBLICITY

17. Executive Council's decision would form part of the ExCo Radio Briefing following the meeting.

SUPPORT TO STRATEGIC OBJECTIVES

18. The proposed changes support the following National Goals:

Altogether Wealthier

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LINK TO SUSTAINABLE ECONOMIC DEVELOPMENT PLAN GOALS

19. The Policy supports the majority of the SEDP Goals as follows:

1. *Increase Exports*
2. *Substitute Imports*
3. *Attract Visitors and Increase Tourism*
5. *Improve Land Productivity*
7. *Improve Infrastructure*
8. *Develop, Maintain and Attract a Skilled Workforce*
9. *Develop the Digital Economy*
10. *Reduce Leakage of Income*

IMPLEMENTATION OF POLICY/ LEGISLATION

20. These proposed changes will require revisions to the existing Customs and Excise Regulations (see Annex A) but do not require new policy or legislation.

21. The changes to the Investment Strategy, which is where the Approved Investment Status is set out, are being dealt with through a separate memorandum to Executive Council.

LAH

OPEN/CLOSED AGENDA ITEM

22. Recommended for the Open Agenda.

Corporate Support
Corporate Services

05th March 2021

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