

STATES OF JERSEY



PROPOSED GOVERNMENT PLAN 2023- 2026 (P.97/2022): FOURTEENTH AMENDMENT

RESIDENTIAL LAND WITHHOLDING TAX

Lodged au Greffe on 28th November 2022
by Deputy S.G. Luce of Grouville and St. Martin
Earliest date for debate: 13th December 2022

STATES GREFFE

PROPOSED GOVERNMENT PLAN 2023-2026 (P.97/2022): FOURTEENTH
AMENDMENT

PAGE 2, PARAGRAPH (i) –

After the words “Appendix 3 to the Report” insert the words –

“, except that on page 33 of Appendix 3, after the words “relatively short period of time.” a new section should be inserted as follows –

“Residential Land Withholding Tax

Residential Land Withholding Tax (“RLWT”) is a tax paid by offshore property owners (those who own property in Jersey but are not resident) who sell their residential property.

From 1st January 2024 RLWT will be introduced at a rate of 30% of the gross sale proceeds of offshore property holders, with the rate increasing to 50% from 1st January 2025.

This will encourage non-resident investors to divest of their Jersey property and leave the Jersey property market prior to this date. By selling their property by the end of 2023 they will avoid having to pay RLWT in the future when selling their Jersey investments. The aim of RLWT will be to act as a deterrent for non-resident investors to continue to beneficially own Jersey residential properties.”

Note: After this amendment, the proposition would read as follows –

THE STATES are asked to decide whether they are of opinion –

to receive the Government Plan 2023–2026 specified in Article 9(1) of the Public Finances (Jersey) Law 2019 (“the Law”) and specifically –

- (a) to approve the estimate of total States income to be paid into the Consolidated Fund in 2023 as set out in Appendix 2 – Summary Table 1 to the Report, which is inclusive of the proposed taxation and impôts duties changes outlined in the Government Plan, in line with Article 9(2)(a) of the Law;
- (b) to approve the proposed Changes to Approval for financing/borrowing for 2023, as shown in Appendix 2 – Summary Table 2 to the Report, which may be obtained by the Minister for Treasury and Resources, as and when required, in line with Article 9 (2)(c) of the Law, of up to those revised approvals;
- (c) to approve the transfers from one States fund to another for 2023 of up to and including the amounts set in Appendix 2 – Summary Table 3 in line with Article 9(2)(b) of the Law;
- (d) to approve each major project that is to be started or continued in 2023 and the total cost of each such project and any amendments to the proposed total cost of a major project under a previously

approved Government Plan, in line with Article 9(2)(d), (e) and (f) of the Law and as set out in Appendix 2 - Summary Table 4 to the Report;

- (e) to approve the proposed amount to be appropriated from the Consolidated Fund for 2023, for each Head of Expenditure, being gross expenditure less estimated income (if any), in line with Articles 9(2)(g), 10(1) and 10(2) of the Law, and set out in Appendix 2 – Summary Tables 5(i) and (ii) of the Report;
- (f) to approve the estimated income, being estimated gross income less expenditure, that each States trading operation will pay into its trading fund in 2023 in line with Article 9(2)(h) of the Law and set out in Appendix 2 – Summary Table 6 to the Report;
- (g) to approve the proposed amount to be appropriated from each States trading operation’s trading fund for 2023 for each head of expenditure in line with Article 9(2)(i) of the Law and set out in Appendix 2 – Summary Table 7 to the Report;
- (h) to approve the estimated income and expenditure proposals for the Climate Emergency Fund for 2023 as set out in Appendix 2 – Summary Table 8 to the Report; and
- (i) to approve, in accordance with Article 9(1) of the Law, the Government Plan 2023-2026, as set out at Appendix 3 to the Report, except that on page 33 of Appendix 3, after the words “relatively short period of time.” a new section should be inserted as follows –

“Residential Land Withholding Tax

Residential Land Withholding Tax (“RLWT”) is a tax paid by offshore property owners (those who own property in Jersey but are not resident) who sell their residential property.

From 1st January 2024 RLWT will be introduced at a rate of 30% of the gross sale proceeds of offshore property holders, with the rate increasing to 50% from 1st January 2025.

This will encourage non-resident investors to divest of their Jersey property and leave the Jersey property market prior to this date. By selling their property by the end of 2023 they will avoid having to pay RLWT in the future when selling their Jersey investments. The aim of RLWT will be to act as a deterrent for non-resident investors to continue to beneficially own Jersey residential properties.”.

REPORT

This amendment seeks to introduce a new property tax in Jersey entitled the “Residential Land Withholding Tax” (RLWT”) which is to be paid by non-resident owners of Jersey residential property when properties are sold. On completion of sale, RLWT is paid to the Treasurer on behalf of the non-resident owner who then receives the balance of the sale proceeds.

RLWT is to come into effect on or after 1 January 2024 at a rate of 30% of the gross sale proceeds and will increase to 50% of the gross proceeds of sale from 1 January 2025. Payment of RLWT can be avoided altogether if property is sold before 31 December 2023 with the lead-in time intended to encourage non-resident investors to divest themselves of their Jersey property sooner rather than later. RLWT will, therefore, effectively act as a deterrent for non-resident investors to continue to own residential properties in Jersey.

There is undoubtedly a shortage of residential property for Islanders to purchase which is, in part, caused by non-resident investors owning residential share transfer properties. The number of properties in non-resident ownership remains unknown at the time of lodging this amendment despite a proposition lodged on 16 July 2020 to address this lack of information. [P.23/2020](#) part (a) requested:

“the Council of Ministers to create a digital register of all commercial and residential properties in the Island that contains details of the ultimate beneficial ownership of those properties for the purposes of aiding policy formation and if necessary the regulation of the housing and commercial property markets”

and part (c) requested that:

“that the register be established by the Council as soon as possible and not later than the end of 2021”.

Both parts were adopted by the States.

The progress in relation to the creation of this register has been the subject of numerous Written Questions¹. The response to [WQ.215/2022](#) stated that:

“Further to the approval of Ministerial Decision [MD-C-2022-007](#), which was signed in February 2022, a feasibility and scoping study into the establishment of a digital register of all commercial and residential property, and landlords and tenants, was commissioned in June 2022”

and

“A draft of the feasibility and scoping report was received on 26th September 2022 for quality assurance and fact-checking, including with the range of internal stakeholders who inputted into the report. Once this is complete, it will be considered by Ministers, and provided to relevant Scrutiny Panels”.

¹ [WQ.18/2021](#); [WQ.212/2021](#); [WQ.376/2021](#); [WQ.33/2022](#); [WQ.215/2022](#); [WQ.270/2022](#)

The recent response (14 November 2022) to [WQ.270/2022](#) confirmed that the above report had been completed and issued to the respective Ministers and Scrutiny Panels.

As a step towards assisting local ownership of residential property, a [Ministerial Decision](#) (24 December 2021) proposed a policy change to end the sale of newly created residential units by way of sale transfer as a condition of granting consent under Article 20 of the [Control of Housing and Work \(Jersey\) Law 2012](#).

Incentivising non-resident owners to leave Jersey's housing market by the introduction of RLWT will result in a much-needed boost to the supply of share transfer properties as those owned by non-residents become available. This will go some way to towards meeting the demand by local first-time buyers.

Financial and manpower implications

Law-drafting will be required as a result of this proposition, but the financial and manpower implications are otherwise negligible.

The amount of income generated by the introduction of RLWT cannot be estimated until such time as data in relation to the property ownership is available.