

23.10.17

**1 Deputy M. Tadier of the Minister for Treasury and Resources regarding corporate income tax rates in Crown Dependencies (OQ.201/2023)**

I thank the Assistant Minister for stepping in. Will the Minister advise whether any invitation has been received and accepted to participate in discussions regarding an increase in the rate of corporate income tax in the Crown Dependencies; if so, has he - or in this case she - participated and what themes were discussed; and if not, has the invitation been accepted and why not?

**Deputy E. Millar (Assistant Minister for Treasury and Resources - rapporteur):**

I thank the Deputy for his question. We regularly meet with Ministers from the Crown Dependencies to discuss tax policy. This is a standard part of our longstanding policy of co-operation and dialogue. The effectiveness of this dialogue depends upon it remaining confidential, and so the Deputy will understand why I will not comment on the content of any intergovernmental discussions. However, the Ministers of the 3 Crown Dependencies released a joint statement on our position on Pillar Two, which is about minimum effective rates of corporate taxation earlier this year. That is the latest information that I can share at this stage. Any further updates we will certainly inform States Members in the usual fashion. Sorry, I will just say that the announcement in the joint statement, we declared an intention among the Crown Dependencies to reach a co-ordinated approach to Pillar Two implementation.

**4.1.1 Deputy M. Tadier:**

I thank the Assistant Minister for the answer. This question really arises from the recent trip that some Members went on, to work and talk with matters in the Isle of Man and with Guernsey. It has become apparent that I think all islands are aware that tax needs to be raised and that Members in other Parliaments, certainly, and other Assemblies are aware that tax needs to be raised in a progressive and acceptable way to their populations. Does the Minister accept that when it comes to progressive taxation, there is a piece of work that can be done here around increasing the headline rate of corporation tax from 10 per cent towards that 15 per cent, given the fact that Pillar Two is coming in at some point anyway, and it could be an opportune moment for all islands to look to redress that tax rate and also increase their tax base?

**The Bailiff:**

I might make the observation, before you answer, that Standing Orders require questions to be succinct. That was, I think, pushing against the limits of succinctness, Deputy, if you do not mind me saying so.

**Deputy M. Tadier:**

It would be a first time, but I accept the ruling. [Laughter]

**The Bailiff:**

If you would like to address the question.

**Deputy E. Millar:**

I will endeavour to be succinct in my response. The Pillar Two rules will affect businesses who have annual revenues ... sorry, Pillar Two will affect businesses with annual revenues of more than 758 million euros. The vast majority of Jersey businesses will not be affected by Pillar Two, and they will

remain in the current Zero/Ten framework, and there is no expected impact on them as a result of Pillar Two. Pillar Two will increase the tax rate charged on only the largest groups doing business in our Island, which may include retailers and businesses in the hospitality sector, as well as parts of the finance industry. However, I believe that there is no intention at present to make changes to our current income tax system for businesses which will not be in scope of the Pillar Two framework. I am afraid I cannot comment on whether the Minister has had discussions on tax arrangements more widely with the Crown Dependencies. I am sure he has, but I only have a briefing on Pillar Two, I am afraid.

#### **4.1.2 Deputy L.J. Farnham of St. Mary, St. Ouen and St. Peter:**

In her answer to the original question, the Deputy had said that the Crown Dependencies had agreed a co-ordinated approach. Can I ask if the Crown Dependencies are now agreed in what that co-ordinated approach should be and are all supportive of the same direction of travel?

#### **Deputy E. Millar:**

Revenue Jersey policy officers continue to engage with all stakeholders regarding the potential policy design elements of options regarding Pillar Two, and are keeping the Minister advised of progress in developing regulations. Although the Crown Dependencies had agreed we would adopt a co-ordinated approach, and I think that is entirely sensible, there may be some variations in details, as you might expect, where there are 3 different jurisdictions. But we are all working towards similar outcomes. I think the position is still somewhat fluid, as there are still technical discussions on the implementation of Pillar Two and, indeed, Pillar One, and the way in which Pillar Two will be implemented ongoing at the O.E.C.D. (Organisation for Economic Co-operation and Development), and that may impact the choices that Jersey and the other Crown Dependencies ultimately make. We are also closely monitoring implementation decisions taken by other jurisdictions globally. Of course, we will advise States Members, in the usual way, as soon as we are in a position to do that. But, yes, I think all Crown Dependencies are agreed that we should try to adopt a common approach.

#### **4.1.3 Deputy S.Y. Mézec:**

I am aware of a resolution that was passed by our friends in the States of Guernsey asking that consideration be given to engaging with the other Crown Dependencies about the general corporation tax rate. So that is not exclusively Pillar Two but, more generally, can the Assistant Minister confirm whether or not an approach has been received from our colleagues in our sister Island on this?

#### **Deputy E. Millar:**

I cannot answer that question because I just do not know. An approach may have been made, but it may be made to the Minister and I am not aware of it. I cannot say yes or no either way, I am sorry.

#### **4.1.4 Deputy M.R. Scott of St. Brelade:**

Deputy Tadier's question asked about an increase in the rate of corporate income tax. I just wondered whether the Assistant Minister knows what percentage of businesses in the Island do pay corporate tax.

#### **Deputy E. Millar:**

I am sorry, I do not have that information available.

#### **4.1.5 Deputy M. Tadier:**

It is just to ask, without revealing any confidences, I think it is obvious to say that in both of the other Crown Dependencies there are Assembly Members who are very much open to progressive taxation measures and not beholden to any kind of figures that are currently in place. Can I ask whether the Treasury Department is also open minded when it comes to increasing, if necessary, the 10 per cent rate of Zero/Ten but also the headline of 20 per cent tax for income, which we know, of course, is not 20 per cent anymore? But in principle, is the department open to that?

**Deputy E. Millar:**

As I previously mentioned, I believe there is no intention at present to make changes to our current income tax system for businesses. The Zero/Ten will continue, but I am afraid I cannot just ... I am not aware whether the Minister has had discussions with Revenue Jersey about changes beyond that, either to corporate or income tax.