

# STATES OF JERSEY

## OFFICIAL REPORT

WEDNESDAY, 5th DECEMBER 2018

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[9:34]

**The Roll was called and the Dean led the Assembly in Prayer.**

**PUBLIC BUSINESS - resumption**

**The Bailiff:**

We now come to the Draft Budget Statement ...

**Deputy G.P. Southern of St. Helier:**

If I may, before we start on the main business of the day, could I inform Members that I am content to leave my proposition P.137/2018 in the position that it is? Members very kindly allowed me to reduce the lodging time, but I will not take advantage to try to get it up the agenda. It will be the last item.

**The Bailiff:**

Thank you. Minister, do you wish to propose the Budget Statement?

**1. Draft Budget Statement 2019 (P.114/2018)**

**1.1 Deputy S.J. Pinel of St. Clement (The Minister for Treasury and Resources):**

I am pleased to present my first Budget as Minister for Treasury and Resources. It is a “steady as you go” Budget that fits our current circumstances with no surprises and no major tax measures. It continues to pursue a sensible, long-term fiscal framework for Jersey in line with the Budgets of my predecessors. It is based on 3 A, B, C principles that have stood me in good stead throughout my political career: affordability, balance and common sense. This Budget will ensure that this Government’s actions are affordable and balance our income and our spending and that we apply common sense in tackling the risks and threats to our economy. It should come as no surprise to Members, given that this Assembly has only just agreed the Common Strategic Policy, that this Budget that was lodged at the beginning of October does not contain any significant new measures. Those will come in due course in the fully costed rolling 4-year Government Plan that we will be proposing next year. Given the uncertainties around Brexit and with the advice from the Fiscal Policy Panel still fresh in my mind, it should also come as no surprise that I do not intend to deviate from the path of fiscal responsibility established in the current Medium Term Financial Plan. In fact, like previous Governments, we are developing a sustainable, long-term fiscal framework for public finances that will also make the best use of our public assets. This long-term strategic approach will result in a framework that extends beyond the term of this Council of Ministers. We are also continuing to develop One Government, to create a modern, innovative public sector that meets the needs of Islanders effectively, efficiently and affordably. In doing so, we are seeking to improve how the States Assembly and Council of Ministers work together for the common good. This is all good common sense and this long-term and collaborative approach will ensure that Jersey is in the very best place to weather Brexit and to exploit any future opportunities for our Island. While Budget 2019 is not the vehicle via which the Council of Ministers will introduce major changes, it is still an important event in our Island’s economic calendar. It allows us to consider the economic outlook for the Island and introduce the sensible measures that I am proposing to benefit lower and middle-income taxpayers and home buyers. I will turn first to the economic outlook. I am indebted to the Fiscal Policy Panel for the contribution that their expertise continues to make to Jersey’s economic understanding and planning. Their annual report, released in October, concludes that while growth improved in emerging and advanced economies over the past 2 years, downside risks to the global economy have increased. As the O.E.C.D. (Organisation for Economic Co-operation and Development) points out, these risks include financial market instability in some developing countries, trade tensions, ongoing structural issues in the E.U. (European Union) and geopolitical risks. Jersey is an inextricable part of the global economy, so these are real and serious issues for us.

As a sterling currency jurisdiction with 88 per cent of our trade in goods with the U.K. (United Kingdom), we are especially sensitive to what happens in the U.K. economy. The Office for Budgetary Responsibility expects a U.K. slowdown in growth this year to a modest 1.3 per cent with a slight acceleration next year. While U.K. employment growth has been strong, business investment remains uncertain in the light of continued uncertainty on negotiations with the E.U. Our own economy was essentially flat in 2017 with growth of 0.4 per cent in real terms, but given the increase in population, gross value added per person fell by close to 1 per cent last year to a record low, which reinforces the need for us to address our declining productivity. The finance sector's output shrank for a third year running in 2017, although the sector is positive about future business growth and bank profitability driven by the expectation of rising interest rates. But the uncertainty surrounding Brexit and the future path of interest rate rises are risks to the finance centre, as is the ever-present threat of punitive regulations targeted at low-tax international finance centres. At this point, I would like to acknowledge the excellent work done by the Minister for External Relations and the team of officials established from across Government in engaging so constructively with the E.U.'s Code of Conduct Group on business taxation. In October, the Minister lodged legislation that we will shortly debate to ensure that Jersey-resident companies demonstrate appropriate economic substance in Jersey from 2019 onwards.

[9:45]

I am confident that our legislation will be assessed favourably by E.U. Finance Ministers early next year, ensuring that Jersey continues to remain off the E.U.'s list of non-co-operative jurisdictions. Our approach of constructive engagement continues to protect the reputation of our Island as a safe and responsible international finance centre and it demonstrates our ongoing commitment to supporting the financial services industry, which represents more than 40 per cent of our economy. I am pleased to note that, taken together, the non-finance elements of our economy saw a fifth consecutive year of growth in 2017 and the latest Business Tendency Survey suggests a positive picture in 2018. I am pleased to note that the Fiscal Policy Panel suggest that we could achieve G.V.A. (gross value added) growth of around 1.6 per cent for 2018 and 1.5 per cent for 2019, and that same Business Tendency Survey revealed that expectations for future business activity were at their highest in the last 10 years. Our labour market has remained buoyant with employment in June 2018 at a record high of just under 62,000 people. The number of registered jobseekers has also continued to fall from more than 2,000 at its peak in 2013 to 970 in September, although this represents an increase of 150 from the June total. Some of this change since June, though, is seasonal. Higher employment and lower unemployment have the double bonus for our Budget of generating higher income tax receipts and lower social security benefit payments, but inflation remains a cause for concern. It reached a 6-year peak in June of 4.5 per cent, falling back a little to 4.3 per cent in September. The main driver of inflation has been increasing housing costs, although household services, leisure services and motoring are also having an impact. After 5 successive years of real-term gains, according to the latest statistics, this increase in average weekly earnings has been overtaken by inflation. In June 2018, wages rose by 3.5 per cent year on year, which represents a 1 per cent fall in real earnings. Higher inflation and lower real earnings are clearly matters of concern to Islanders because of the impact on the cost of living. I am sure that all Members appreciate the difficulty that this also causes to the Government and employers because higher pay rises will only fuel inflation further. We cannot get locked into a rising spiral of inflation and wages, especially at a time when productivity is falling. That is why in this Budget I am seeking to help lower and middle-income Islanders through some modest tax and stamp duty changes and why, as Jersey's biggest employer, we have not proposed across-the-board, inflation-linked pay increases for our own staff because these would not only add to inflationary pressures but would also add to the States' recurring wage costs and spending, which brings me to the issue of our public finances. I am pleased to report that the Income Forecasting Group predicts higher States income for 2018 than was expected at the time of the last Budget. Based on the latest forecast of tax revenues, total States income for 2018 is

now expected to be £783 million, which is £30 million higher than was predicted a year ago. For 2019, total States income is projected to be £36 million higher than forecast a year ago, before including the modest tax measures proposed in this Budget. While this is good news, both the Income Forecasting Group and the Fiscal Policy Panel have expressed caution in making long-term assumptions that these increases are sustainable rather than temporary. At the end of October 2018, the Strategic Reserve, our Rainy-Day Fund, stood at £840 million, and the Social Security Reserve Fund was £1.78 billion. The annual returns over the last 5 years have been 6.45 per cent and 8.66 per cent respectively, which is clearly good news for public finances. However, I would urge caution as recent global market volatility is impacting on our portfolio with a reduction in equity returns offset by an improvement in the returns from other asset classes. This demonstrates the benefits of a well-diversified portfolio. Such volatility cannot be fully mitigated, but I am confident that the States portfolio will still achieve our long-term investment return objectives. Looking at any single year in isolation is not a good measure of performance for long-term investors, but we still expect to see limited growth in these funds by this year end. However, the actual level of return is highly likely to be lower than the 5-year performance I have just mentioned. I want to remind Members that during the years in which we supported the economy to recover from the global financial crisis we did so in part through transfers from the strategic reserve. This was a proper use of the Rainy-Day Fund at a time when we needed an umbrella to protect us against international storms. As part of that strategy, the States Assembly agreed to reimburse the Strategic Reserve for the funds withdrawn and the plan had been to transfer £50 million back to the Strategic Reserve in 2019. But considering the strong growth in the Strategic Reserve in recent years and the flexibility we need to respond to global and local economic uncertainties, I propose instead, with the support of the Council of Ministers and following the advice of the Fiscal Policy Panel, to transfer the £50 million to the Stabilisation Fund. The Stabilisation Fund is the war chest established by Senator Le Sueur to help Jersey respond to the ups and downs of the economic cycle. According to the forecasts, even after transferring £50 million to the Stabilisation Fund, £135 million will remain in the States current account, the Consolidated Fund, at the end of 2019. Given the need to be flexible as we develop the Government Plan and because of the considerable capital investment that our Island needs, I propose to consider how we use those funds once the Government plan is finalised. This brings me to the issue of public spending and growth. Despite the additional States income of £30 million previously mentioned, on current forecasts after depreciation we are anticipating a deficit in the accounts for 2018. The current Medium Term Financial Plan identified considerable extra funding for health, including £8.2 million in this Budget, some of which was earmarked for Children's Services. While not all the savings measures planned for the current Medium Term Financial Plan have been delivered, neither have all the revenue-raising measures. This is particularly because of decisions taken in the previous Assembly to reject proposals for commercial waste charges, which have left a significant funding gap in our finances. This decision alone has left an £11 million shortfall in budgets for the Growth, Housing and Environment Department. In order to plug part of this gap, growth above £5.3 million for health inflation has been deferred. This is possible because a lot of the funding for investment in transforming our health and community services is currently unspent. It is intended that once the existing programme of health transformation has been delivered additional funds, released as a result of public sector reforms, would be used to reinstate the planned investments in healthcare. But diverting some of the growth allocation still is not enough to meet all of the shortfall in infrastructure funding. The efficiencies and savings arising from public sector modernisation will eventually eliminate the shortfall between revenue and spending, but in the meantime, I am transferring the £6.9 million from departmental underspends and unallocated reserves to the Department for Growth, Housing and Environment to fill the remaining gap in the Budget arising from the lack of a waste charge. As a result of reprioritisation and the decisions I have made to reallocate funding, we will balance the books by the end of 2019, but we clearly cannot continue to spend more than we raise. The forecasts for 2020 onwards make for sobering reading. Inflationary pressures and continuing investment in modernising health and caring for our ageing population will mean that public spending

will grow more quickly than our income. Allowing for inflation and the financial commitments already entered into, if we do not take decisive action, we are heading for a structural deficit recurring of £30 million to £40 million from 2020. This does not take account of any additional investments that this Council of Ministers will want to make to deliver our strategic priorities. We cannot allow this to happen because this Government is committed to delivering sustainable public finances, which means that we will have to take radical action to cut the cost of Government. In October, the Chief Minister announced that he expects the public service to achieve efficiencies worth £30 million in 2019. That is an important start, but we have to go further than this if we are to provide the funding we need to invest in the Government's priorities and in modernising its services. So, in addition to the £30 million of savings that will be generated in 2019, the public service will have to reduce its costs further by 2022. Public service modernisation will make a huge contribution to the development of sustainable public finances. Effective modernisation of public services through managing the organisation as a single Government rather than a loose collection of federated departments will enable cross-cutting efficiencies to be delivered rather than the silo-based cuts to services of the past. However, further savings will necessitate considerable funding on a strict invest-to-save principle, particularly in our I.T. (information technology) infrastructure and services. It is evident that we are well behind where we should be in investing in modern and effective I.T. that allows seamless flows between finance, performance, H.R. (human resources) and payroll information, replacing the current monotonous manual processing currently undertaken. Not only would such investment improve the customer experience and free staff to be involved in value-added activity, it would also improve outcomes; for example, by allowing joined-up care across the Island's clinicians and carers. While we have already started with the transformation of the Taxes Office, for example, we have a long way to go. Equally, there is considerable potential for improving the productivity of our current economy through digital innovation as well as to grow our digital sector infrastructure. We must not lose sight of that fundamental principle that the best way of securing income to pay for public services is to grow the economy that drives those tax returns. Exciting proposals are coming forward from Digital Jersey harnessing the advantages presented by our unique, world-leading fibre network. Government in partnership with business needs to continue to invest to reap the benefits of these opportunities. Further gains will be made by looking to find synergies between investment in Government I.T. systems with innovation in the local digital infrastructure. To deliver these investments, we are developing plans to bring forward an I.T. and digital infrastructure fund to invest in the vital I.T. infrastructure services that customers need and deserve, as well as in the wider Island's digital infrastructure and economy. This fund would be governed by strict business case rigour with robust return on investment rules and the tracking of benefits. These investments will deliver considerable savings. These will not alone be enough to meet the ever-growing demands for services and to meet the costs of an ageing population. You cannot deliver high levels of service on shoestring budgets - that is fantasy financing - so I am convinced that if Islanders want to continue to enjoy high-quality services the Government will, as part of a balanced strategy, also need to continue revenue-raising measures for the future and, in due course, this Assembly will be asked to find the courage to support them. Because we can only reduce so far to make our public services more efficient and affordable, after a point we would be cutting into the core of the services themselves. I do not hear States Members and Islanders clamouring for cuts in nursing, in policing, in fire and ambulance, in schools, in roads and sea defences, or in environmental protection; quite the opposite, in fact.

[10:00]

So, as Minister for Treasury and Resources, I have to ask: once the slack has been removed from the cost of Government where will the money come from to pay for further improvements in public services? There really is only one option. We as Islanders and Island businesses will have to pay more into Government if we want more out of it. Whether this is through taxes or user charges is a matter for us in this Assembly to debate and resolve, but what we cannot do and we will not do while

I am Minister for Treasury and Resources is raid the Rainy-Day Fund to plug the holes in day-to-day spending. I know it will not make me popular to say this, but in Jersey we want the best of both worlds: low taxes and high-quality public services. We want the Government to spend more money on essential public services, yet we do not want to pay more to fund them. This applies to businesses, too. The majority benefit from our Zero/Ten corporate tax regime and low property rates, yet they baulk at the prospect of paying for the Government to deal with their waste, something that they would pay for automatically in any other country in which they operate. We have some of the lowest rates of income tax, G.S.T. (goods and services tax), corporate tax and property rates in Europe, yet we still complain about the perceived burden of taxation. Let me say quite plainly: you do not get Scandinavian levels of public services on low taxes. We will need to have that debate when we consider how we are going to fund the priorities in the new Government Plan next year. I say to States Members again that they will need to have courage to make the right decisions for the long-term benefit of the Island. The first test of this courage will come when this Assembly is asked to increase long-term care contributions from 2020. As I was the previous Minister for Social Security, I know how important this fund is to ensuring our Island can meet the growing costs of long-term care. I am proud that we, unlike some of our close neighbours, have had the bravery to confront this challenge, but that will have been wasted if we do not ensure the sustainability of the long-term care fund. I hope that States Members remember this when the proposition comes before the Assembly. We will also need to debate how we fund our capital investment programme. The current Medium Term Financial Plan identified £168 million for capital projects over the 4 years of the plan from 2016 to 2019. Last year's Budget agreed the latest tranche of that capital programme as well as a further £21 million to address additional priorities and costs. This required transfers from the unspent capital and revenue expenditure to supplement the funds available, resulting in amendments to the indicative 2019 allocations. Those allocations have been re-examined and we have made small adjustments in this Budget. The most significant of these is the inclusion of an allocation towards improving areas of St. Helier to commemorate Liberation 75 in 2020. I propose that this is funded from slight changes to the capital programme and an allocation of £1.4 million by repurposing previously allocated capital allocations that are no longer required for the same outcome. Alternative funding measures are also being considered. The full investment in capital in 2019 will be £36 million. This includes £20.7 million across vital infrastructure, including roads and sewerage works, £5.4 million for assets, including a C.T. (computed tomography) scanner for the hospital, and £3.8 million to complete the latest phase of the development of Grainville School. But we still have a lot of investment to make in our Island's infrastructure to support the economy for regeneration and to benefit current and future generations. Our overly cautious approach of funding infrastructure through upfront cash has to change if we are to invest at the scale needed to meet these challenges. I look forward to the development of an investment framework which will make the best use of our strong balance sheet to help fund the capital investment that the Island needs. This will be underpinned by an investment fund with a unique mandate. The proposal will be that it will invest on both a commercial and social basis to support economic activity in the Island and regenerate or redevelop infrastructure to support the Council of Ministers' Common Strategic Policy and the Future Jersey vision. The fund will have a long-term investment horizon and can act as a source of long-term capital with the flexibility to meet challenging and changing capital needs. It will seek to invest in transactions which will make a difference to Islanders and a positive economic impact. I would like the fund to become an investor of choice for local companies and project partners. This type of fund is common around the world and I believe it will provide the Island with a sound base from which to deliver significant improvements to our infrastructure over the long term. I now turn to my specific Budget proposals for 2019, beginning with personal tax. As I said earlier, the Government is aware of the pressures on Islanders on lower and middle incomes who are feeling the pinch of higher inflation and static or declining real wages. So, with the little leeway I have, given what I have explained about the emerging structural deficit, I am proposing some changes to benefit those who need help the most. I am proposing to increase the standard income allowance by 3.5 per cent

in line with the increase in average earnings. This will benefit approximately 42,000 taxpayers, reducing a single person's annual tax bill by £130 and that of a married couple or civil partnership by £221. This measure will take Jersey's personal income tax allowance for a single person to £15,400 in 2019. This compares very generously to Guernsey's allowance for 2019 of £11,000 and the U.K.'s of £12,500. I also intend to increase the second earner's allowance by £150 to £6,000. This maintains the equality achieved by my predecessor in his last Budget in allowances between married and cohabiting couples where both partners are earning. This measure will benefit around 10,000 households. As part of the package agreed by the Assembly to introduce new higher education funding proposals, I am proceeding with the removal of the higher child allowance given to parents with children in higher education. These funds will be added to the existing funding for the new package of higher education grants available to the young people of the Island. I recognise that the removal of non-resident relief in Budget 2016 caused hardship for a small number of lower income former residents who now live abroad. On taking office, I promised to address this issue and I am following through on that promise. I have proposed some targeted reliefs for those with a low worldwide income or who suffer double taxation on their income. This is not a return to the previous relief. We will require claimants to demonstrate that they are paying any taxes lawfully due in their country of residence and that they claim any double tax credits to which they are entitled where they now live. But I have listened to the representations made since the Budget was lodged and made an amendment to my original proposals. This makes the reliefs effective from the 2018 year of assessment, reducing the amount of tax payable in 2019 by those able to benefit from the reliefs. Since the Budget was lodged, there has been a lot of commentary on the antiquated nature of the personal income tax system and the way it treats married women. No one wants this changed more than I do. Treasury are about to launch a public consultation on the future of the personal income tax system where Islanders will get their say on what it should look like in the future. The way that married couples are taxed will change. The question is how. Having considered the consultation feedback, I will bring forward recommendations to this Assembly next year as part of the Government Plan and I will want to introduce these changes as quickly as possible. Whichever way we finally decide to reform the personal tax system, it will represent a major change. With the review well under way and the production of recommendations less than 12 months away, now is not the time to make major changes to the personal tax system. So I will be arguing for this Assembly to reject Reform's proposal to change the headline rate of income tax for the first time in nearly 80 years. I recognise that many people are disappointed by the pace of change, not least a number of Deputies within this Assembly. After lodging the Budget, I listened to their concerns and to their ideas. In response, I brought an amendment to the Finance Law under which married women would no longer need the specific consent of their husband to enter into discussion with the Taxes Office. When lodging the amendment, I stated that it did not address the fundamental issues at the heart of the income tax system. I always acknowledged that it was a stopgap measure to help married women correspond with the Taxes Office until the recommendations from the personal tax review are implemented and fundamental change achieved. Over the last week, the Treasury has had further soundings from Back-Benchers on my amendment. The message from those soundings has been clear: the fact that under the Income Tax Law a married woman's income is deemed to be that of her husband is wrong and that is where Treasury's focus should be. As I stated just now, I agree. This must change and this is what the personal tax review will deliver. I do not wish to bring my amendment unless it has broad support across the whole of this Assembly, and hence I am announcing the withdrawal of the amendment to the Finance Law on this issue. I can assure Members that Treasury is completely focused on the review and that recommendations will be published next summer. I would like at this point to extend my thanks to Deputy Doublet, who raised her concerns on many occasions about the inequity. I am delighted that she and Deputy Perchard have expressed a wish to pursue further discussions with Treasury to address and resolve the situation early in January. In the meantime, I encourage all Members interested in this area to come in and meet with me, my Assistant Minister and Treasury officials to allow proper consideration of other ideas which



may improve the situation in the short term. I now turn to impôt duties. In Jersey, we have traditionally taxed alcohol, tobacco and road fuel, largely to raise revenue to pay for public services. But like other Governments around the world, we have increasingly recognised that these products can be damaging to health, to well-being and to the environment. The demand for these products is price sensitive, so we can use taxation to incentivise people to change their behaviour in line with existing health and environmental strategies. At the same time, we can recover some of the costs of dealing with the harm that alcohol, tobacco and car usage create for our society, but there is a balance to be struck. With pressures on the cost of living, I do not want to raise costs for Islanders more than is right and fair. My predecessors have generally increased impôt duties by at least inflation. In some recent Budgets, impôt duties have gone up by more than inflation. I have taken account of global evidence on the impact of alcohol, tobacco and fuel on health and the environment, but I have also had regard to the current inflationary pressures. I have sought out and listened to the views of the hospitality sector. I am proposing to increase alcohol duties by 3.5 per cent in line with average earnings, a lower than inflation increase. This will add just over a penny to a pint of beer. I consider this proposal reflects the appropriate balance between those competing pressures of raising revenue, limiting inflation and achieving better health outcomes. I do not believe that Deputy Wickenden's amendment, which asks for all alcohol duties to be frozen at 2018 levels, achieves this balance and I will be asking the Assembly to reject his amendment. I am proposing to increase duty on petrol and diesel by 2p on a litre. This also represents a below inflation increase, but given the considerable impact of smoking on people's health and the cost to Government of treating smoking-related illnesses, I am taking a different approach to tobacco.

[10:15]

I am increasing the duty on tobacco by 9.5 per cent, 5 per cent above the June inflation figure that was available when I lodged the Budget. This represents an extra 59 pence on a pack of 20 cigarettes. Duty rates on alcohol, tobacco and fuel generally remain significantly lower than U.K. levels. In light of last year's material changes to vehicle emission duty, I am not bringing forward any changes this year. But for the avoidance of doubt, the temporary relief from the 2018 V.E.D. (vehicle emissions duty) increases for hire car businesses will expire as planned and forewarned on 31st December this year. This Assembly has just agreed the strategic priorities of this Council of Ministers. We have just agreed that we will focus on protecting and valuing our environment for this and future generations. I am, like the Minister for the Environment, determined to deliver this priority. Delivery will require a one-Government approach utilising the full range of policy options available to Government. However, it is beyond doubt that other jurisdictions across the globe are using a range of taxes and charges to help them deliver their environmental goals and raise monies to invest in environmental projects. As such, I can confirm that throughout my term of office Treasury officials will form a key part of the team looking at how we deliver on the strategic priority of the environment, ensuring that taxes and charges are considered equally alongside the other policy options available when preparing this Council of Ministers' initial and subsequent Government Plans. In particular, I have already asked officials to review the future taxation of car ownership and usage with a view to determining the fairest and most sustainable ways of raising revenue in the longer term while encouraging a move to more environmentally sustainable modes of travel. This will take into account likely future shifts in consumer choices such as moves towards more environmentally friendly hybrid and electric cars. In line with the U.K. and E.U., during this term of office we will ask officials to explore a range of policy measures to reduce waste in Jersey with a particular focus on reducing plastic usage and corresponding plastic waste. We will also continue to explore how best to capture some of the uplift in land value that accrues when planning permission is granted for some new development. This would allow us to generate funding to invest in and improve the public spaces in St. Helier and other Parishes so that our urban centres become better places to live, work and visit. I now turn to stamp duty, where I am proposing a number of changes to benefit first time buyers and those who need to take out a mortgage to buy their home. Like the Minister for Housing,

I am mindful of the housing challenges that Islanders are facing, especially in terms of the availability and affordability of homes. Indeed, improving the quality and affordability of housing features among the Council of Ministers' strategic priorities. The steps I am taking in this Budget will further reduce stamp duty and land transactions tax for first-time buyers. From 2019, properties valued up to £500,000 will qualify for first-time buyers' relief, up from the previous threshold of £450,000. I am also conscious that home buyers requiring mortgage finance to pay for their home are hit twice as they have to pay an additional stamp duty and land transaction tax of up to 0.5 per cent of the value of their mortgage. This is not a tax that home buyers who have the cash funds to buy a property have to pay. It feels wrong that people on lower and middle incomes have to pay a tax both on the value of their home and on the value of their mortgage while people with higher incomes and liquid assets pay only once. So I plan to address this inequity by phasing out the stamp duty and land transaction tax charges on mortgages over time provided that we can afford to do so. In Budget 2019 I am taking the first steps in this process. I am abolishing stamp duty and land transaction tax on mortgages for homes costing up to £600,000 completely and I am tapering the charge for homes valued between £600,000 and £700,000. To fund these 2 targeted measures I am raising all standard stamp duty and land transaction tax rates by 0.5 per cent for homes valued over £500,000. This will go some way to redressing the inequity in the burden of property taxation. I would like to thank the Corporate Services Scrutiny Panel for their review of the Budget. I hope that the constructive but challenging approach adopted during this review is maintained in the future. I have considered their amendments to stamp duty carefully and appreciate their desire to reduce the stamp duty burden for those seeking to "move up to properties worth between £600,000 and £1 million". I also appreciate the fiscally responsible approach that they have adopted, recognising that, if you want to cut taxes for some, the right thing to do is to indicate how you would recoup those taxes rather than leaving a hole in the public finances for the Treasury to sort out. However, I am unable to support the panel's amendment because it balances the financial impact by increasing the stamp duty from those purchasing property worth less than £550,000; a plan with which I cannot agree, but I commit to working with the panel in the future on the issue of stamp duty and the first opportunity is about to present itself as I am targeting another inequity within the current system. At present "enveloped properties", which are placed within a company structure, avoid stamp duties on transfers. This is a practice that is prone to tax avoidance. In my Draft Budget I indicated that the Treasury would launch a consultation on a new stamp duty anti-avoidance provision and this will go live very soon. I look forward to the outcomes of that consultation and will work with the panel when bringing forward any necessary legislation to address stamp duty avoidance. In the weeks before I published my Draft Budget, there was a lot of speculation about whether the G.S.T. *de minimis* threshold for personal post or packet imports would change. The *de minimis* threshold was introduced alongside G.S.T. to set a minimum threshold on imported goods below which it is neither practical nor cost-effective to collect G.S.T. The current G.S.T. *de minimis* threshold is £240 of goods by value and this represents £12 in tax foregone on those goods. I recognise that the existence of this exemption is at odds with Jersey's tax policy principle that taxation should be low, broad, simple and fair. It is not fair because it creates an uneven playing field between domestic and off-Island online retailers. I recognise this inherent unfairness and I sympathise with High Street retailers in Jersey who are struggling against competition from internet shopping. I received representations on this issue from them, some direct and others through the media, but I also recognise that we have this exemption because, if it were abolished, it would cost the States more to collect the G.S.T. on very low-value goods than we would generate in additional revenues. While that is still generally the case, it is also true that the ratio between the amounts of G.S.T. foregone due to the application of the *de minimis* threshold versus the cost of collecting the G.S.T. is changing. It is the long-standing position of previous Ministers for Treasury and Resources that the *de minimis* threshold will be abolished when it is practical to do so and I support that position. But I have to ensure that requiring off-Island online retailers to charge, collect and remit G.S.T. to Jersey will not result in those retailers simply withdrawing online shopping services, harming consumer choice and reducing price competition. At this point in time

there is no practicable mechanism or common system for online retailers to charge, collect and pay, G.S.T. to Jersey. So, while I am sympathetic to the retail sector's representations, I have decided, after consultation with ministerial colleagues, not to reduce the *de minimis* threshold in this budget. We expect that time will come when the E.U. abolishes its own V.A.T. (value added tax) exemption for personal imports from outside the E.U. Once online retailers have invested in systems to meet E.U. requirements, we believe that they will be more willing to put processes in place for smaller jurisdictions like Jersey. Meanwhile, I will keep this issue under review and will consider whether to reduce the *de minimis* threshold in subsequent Budgets as a transitional step towards abolition. Officers will continue to engage with U.K. retailers to try to stop the practice of their charging V.A.T. goods sold into Jersey. I would now briefly like to address a range of other measures. Following a review and consultation with stakeholders, I do not propose to pursue measures to tax the profits on large alcohol vendors or local bookmakers. The review of whether to reduce the quantity of duty-free tobacco that individuals can bring into Jersey is ongoing and I am not proposing any changes in this Budget. Officers need more time to collate evidence as we work through the details of our Island's future trading relationship with the U.K. As agreed at the last States sitting, I am delighted to have placed care provided in the home by regulated providers on the same G.S.T. footing as care provided in a regulated care home. All care services provided by regulated providers will be exempt from G.S.T. with effect from 2019 and I expect the reduction in G.S.T. to be passed on to the patients through price reductions wherever possible. We will be monitoring the impact of this measure on consumer pricing for care services. I am also pleased to propose changes to allow the financial services sector to compete for business in the growing area of international employer savings schemes and I can confirm that in 2019 we will launch reviews commissioned by the last Assembly into taxing the profits of mutual trading and the feasibility of applying G.S.T. to imported digital services, including television and music services. Officers within the Treasury are working hard to deliver the new target operating model for the Civil Service, not least in the context of revenue collection where staff are currently building Revenue Jersey. This new function is bringing together the work of Taxes Office and teams dealing with social security contributions and customs revenue matters. But the structural reorganisation of revenue collection is only part of its modernisation. I am pleased to report that the project to replace the Taxes Office's 35 year-old computer systems with a new revenue management system is on time and within budget. The new systems will be in place early next year and will be tested throughout 2019, processing the new format paper tax returns for the 2018 year of assessment. I expect Islanders to start online filing of their personal tax returns in 2020, which is a huge leap forward for Jersey's digital public services. We will achieve further modernisation through a new Revenue Administration Law, which will be debated in January 2019, together with a number of administrative changes enacted in this year's Finance Law. These reforms include changes to filing dates to incentivise online filing of personal tax returns, new payment dates for corporate income tax payers, new penalties for non-submission of tax returns to incentivise better compliance and, for the first time, provision to charge interest on outstanding tax debts. The Revenue Administration Law also proposes new civil penalties for those who choose to evade taxes or who act carelessly. Because we are stepping up our efforts to improve tax compliance so that everyone pays the tax they owe when it is due, these efforts have already borne fruit, for instance we have recovered £1.6 million from some 200 taxpayers who set their tax affairs in order due to our tax disclosure opportunity between April and Christmas 2017 and we have recovered just over £6.5 million from other tax compliance activity within the Taxes Office over the last 12 months. As a result of prudent decisions taken in recent years by my predecessors and by previous Councils of Ministers, Jersey has a strong financial base and an economy that has recovered from the global financial crash. Brexit presents a range of opportunities and challenges and Jersey, through the External Relations Department, is in a good place to respond to both and we are preparing well to face the longer-term challenges arising from our ageing population.

[10:30]

But we are not complacent and we have to take decisive action as an Island to raise productivity and as a Government to ensure that we have sound public finances. The public service under the chief executive is leading the way with the One Government modernisation programme, which will deliver both more modern public services and sustainable efficiencies over the next 4 years. In turn, we must have a considered debate in Jersey about how we fund our public services and ensure that we maintain them sufficiently. The Council of Ministers and this Assembly must work together to deliver the strategic priorities we have just agreed as partners in a shared ambition for our Island. We must implement a new approach to investment in infrastructure and housing underpinned by a new economic framework and long-term funding, which makes the most of our robust balance sheet. So the package of proposals that I have outlined in Budget 2019 completes the current Medium Term Financial Plan. It prepares the ground for the Council of Ministers to implement its programme guided by our strategic priorities, which we have just agreed. It provides continuing stability for business and support for hard-working lower and middle-income Islanders at a time they are feeling the pinch. It has been well received by the Fiscal Policy Panel. It is an affordable Budget, a balanced Budget and a commonsense Budget. I commend this Budget to the Assembly. **[Approbation]**

**The Bailiff:**

Minister, I should have asked you at the outset but I have understood you to propose the Budget as including your amendment number 4, which is what you said in the course of your Budget speech?

**Deputy S.J. Pinel:**

Yes, Sir.

**The Bailiff:**

Are Members happy it should be taken in that way? No Member wishes to argue about amendment number 4 later on? Very well, we will take the Budget as proposed by amendment number 4. As a slight deviation from normal practice I am going to ask the Greffier to read the proposition after all the amendments have been considered so the Budget debate, when it starts, will be focused on the Budget, if it changes, as it has been set out there.

**The Bailiff:**

Is the Budget seconded? **[Seconded]**

## **1.2 Draft Budget Statement 2019 (P.114/2018): third amendment (P.114/2018 Amd.(3))**

**The Bailiff:**

We come now to the amendment number 3 of the Connétable of St. Helier. I shall ask the Greffier to read the amendment.

**The Deputy Greffier of the States:**

Page 2 paragraph (a), after the words “as set out in the Budget statement” insert the following words: “, except that the estimate of income should be reduced by £3 million by reducing the rate of Income Tax on Large Corporate Retailers to 10 per cent.”

### **1.2.1 Connétable A.S. Crowcroft of St. Helier:**

I am going to be offering the Assembly today 4 reasons to support this amendment and I will say what they are before I get into my proper speech. First of all the tax on the profits of large retailers was maladministered, it was put in place on shaky foundations. Secondly, it is a tax, which is unfair; the Minister for Treasury and Resources has just reminded us that our taxation should be low, broad, simple and fair. This tax is unfair; therefore Members should support it. Thirdly, this tax is damaging. It is damaging to our economy and it is damaging to our consumers and our residents. Fourthly, the amendment that I have brought to the Assembly, reduction to 10 per cent of profits for

large retailers, is both reasonable and more consistent with the Zero/Ten than leaving the tax at 20 per cent. I am conscious in bringing this amendment that I am trying to fill the shoes of a former Senator, Senator Ozouf, who both challenged the matter when it came to the last Budget and then, when he did not succeed, brought it back as a rescindment proposition in just April of this year, so hopefully Members will be quite familiar with the arguments and the background. If they are not, I refer Members to my 10 pages or so report, P.114 amendment 3; I hope Members have had a chance to read it because I make all of the substantial arguments in that report. Perhaps if they have not they could look at it now while I am speaking. Members will have also seen the comments of the Minister; these came out 10 days after I lodged my amendment, so not an awful lot of time to read them, but then again they are very short so they will not take up much time for Members. I have to say, and I mean no personal criticism of whoever penned them, they are extremely disappointing and I believe they will probably cause some consternation to any retailers who find themselves reading it. The comments say that there is no new evidence to support this amendment to the Budget and of course there is a lot of new evidence and Members who were able to attend the briefing yesterday will have heard from the horse's mouth - I probably should not describe large retail chief executives as horses, but Members will have heard from the horse's mouth just what an impact this is having. For Members who were not there, the bullet points are on Members' desks provided by the Chamber of Commerce to the Members who were not able to come. In the first 2 paragraphs, if I could quote: "Jersey has lost millions of pounds of investment in the retail sector already. Four large retail brands are now not coming to Jersey because of the 20 per cent rate imposed last year, fact." We heard those facts yesterday. We were also told by a major retailer: "We have slashed our training and development budgets in Jersey and diverted our capital spends to other jurisdictions." That is a quite clear example that there is new evidence and the Treasury paper is misleading in that respect. The Treasury paper goes on, and the headline is ... it is a bit ironic, the headline I think under the circumstances *Engagement with Retailers*. Now I am going to be showing in a minute that this tax was maladministered, it was imposed without sufficient consultation to introduce a major new fiscal measure. So to talk about engagement with retailers, and over the page it says in 2019 Treasury is going to, and I quote, this is very much a buzz word these days: "Reach out to individual retailers." I am sorry, if Treasury want to reach out to retailers let them do it this morning. Let us see some support for retailers. That is what they want. They do not want a reaching-out next year, for some investment decisions it is too late already, we have lost the business as an Island. Also, the comment shows a fairly complete misunderstanding of the situation because it says: "In order to establish whether any retailer generating profits in excess of £500,000 is likely to suffer hardship." But that is not what we are discussing. We are not talking about larger retailers suffering hardship; this is not about how retailers feel about their businesses, they are not going to suffer any personal hardship, it is about whether they are going to invest in the Island. That is the important thing; it is not hardship at all. The comments go on to say that the Treasury has not had any data from the Chamber of Commerce. I have certainly seen lots of data. It goes on to say further down that: "It is understood only a few retailers of food are affected by this taxation measure." Only a few retailers of food, like the major retailers of food in our Island, understating the problem. Towards the end: "Tax differentials between the U.K. and Jersey. It is unlikely that a one percentage point difference between the U.K. rate, 19 per cent, and Jersey, 20 per cent, will affect decisions about where retailers invest." It has already affected decision making. This tax is already having an effect. So that attempt to downplay the significance of this tax is completely wrong and shows a lack of real engagement, or maybe simply the comments are trying to get Members on-side. Now I started off when I said there were 4 reasons to support it, the first one was that it was maladministered. It was put in place on a false premise and to prove that I have to go back to the last Budget debate when the then Minister for Treasury and Resources said the following, and this is a quote from Hansard: "The work has been undertaken in the intervening 12-month period." The Minister for Treasury and Resources is referring to the work that followed the approval of Senator Ferguson's in-principle decision that we should introduce this tax: "Of course there has been a lot of consultation." I will say that again: "Of

course there has been a lot of consultation and I am going to talk about it now because the Deputy [he is referring to former Deputy Murray Norton] is looking confused and is frowning. First and foremost the process started over a year ago.” He goes on to say in that debate: “We have undertaken the research; we have undertaken the consultation with businesses within the retail sector.” He says later: “The consultation is understanding views from industry, which is why that consultation was undertaken and why officials from the Treasury met with those particular businesses. As I said, 10 of the 20 who were invited chose to come to those sessions.” We begin to smell a rat at that point. Indeed, former Deputy Norton then really drilled down to say: “Well exactly what do you mean by consultation? Do you mean a 5-minute meeting? Do you mean a telephone call?” What we discover as we read on to the Freedom of Information request is that these members were invited on 15th September, so we are talking about a matter of weeks before the Budget debate, to a presentation on 20th September. I am quoting from the Chamber’s letter before the last debate: “Members of the Chamber attended those briefing presentations where they were told of the intended implementation of the retail tax, its rate and the sliding scale. They were told the information was embargoed; that States Members had not yet been briefed, and this information was to be the content that would be in the 2018 Jersey Budget proposal. Chamber do not believe that this amounts to consultation.” Of course they are quite right; to ask a select number of retailers to hear your plans 10 weeks before the Budget debate is simply not the basis on which you introduce a major new fiscal measure. So it was maladministered and the other point that many commentators have made is that no one in Treasury really knew what effect this tax was going to have. It was a finger in the air. They did not know how much it was going to raise and they did not know about any unintended consequences of introducing that measure. The tax is unfair. It is unfair because it does not capture, either in the food or non-food sectors, all of the large retailers. Some people simply escape paying this tax. One of them of course in the food area is because it is a mutual society. That is referred to in the Budget as something that needs to be looked at but it has certainly not been done yet. The unfairness also is addressed in these comments by a local large retailer, and I quote from a submission made to the Scrutiny Panel, which is currently undertaking a review of this whole matter: “The tax is unfair in that it applies different tax rates to retailers selling exactly the same products. The tax applies to some businesses but not others even though they do the same thing. For example, in the prestige beauty and fragrance market 2 department stores in town [I am not naming names, I am trying to keep all names out of my speech] will pay the tax when an online operator will not because of its large internet sales. The result is that all 3 businesses compete within a few yards of each other selling exactly the same products but the largest business by turnover is exempt from the tax, whereas the 2 department stores are not. This is patently unfair and will distort competition. There are other examples of retail and wholesale businesses that will escape the tax due to their large wholesale operation.”

[10:45]

To give another example to Members, it has just been pointed out to me recently that one of the 100 largest businesses in the U.K., which operates in Jersey, and again I am not going to name the name but I have the facts in front of me, operates in Jersey and pays zero per cent tax under the Zero/Ten regime. How can this be fair on a particular sector of businesses? So it is unfair on retailers and for that reason alone we should do what we can to remove it. Members may be thinking why am I not arguing for zero per cent tax and of course that is something that I suppose logically retailers should be treated like any other non-finance business under the Zero/Ten scheme and should be zero-rated, but, as I will say later, local large retailers are happy to pay the 10 per cent - happier - because they want to play their part. I now move on to my third reason for supporting this amendment, which is that the tax is damaging. I have already given some examples of how that damage is happening out there in boardrooms where investment is not taken. Indeed that is a matter that was referred to extensively in the previous debate. I quote another former States Member, Deputy Lewis of St. Helier: “If you take away fiscal advantages from large major retailers, they may well decide, you know what, it is just not worth sending that container down to Jersey once a week, it really is not

worth the extra aggravation. Anything you do to change that fiscal position of those retailers will gradually chip away at the reason why they might be here. It may then just take a boardroom decision one day, tick, we are leaving.” The Retail Policy Review being run by Scrutiny has heard examples of that and indeed I have given some myself. Clearly it is damaging. Now I am conscious, when we talk about the damage, when we talk about the state of the High Street, and I apologise to Members who do not like the phrase “the High Street” and they say it is called King Street and Queen Street in St. Helier, indeed it is, but the High Street is a useful term to describe the central retail core of St. Helier, which of course we are very lucky, our retail area spreads much wider than a simple main drag, a simple precinct. We have lots of retail branching off from our High Street, so our High Street is pretty good. I am still optimistic about the state of our High Street. We have heard some Members who have been following the matter in the media, looking for an alternative to thinking about Brexit, who have probably been following some of the discussion about the High Street, the health of the High Street in the U.K. and there have been some very serious and worrying signs from larger retailers in the U.K. who are struggling to maintain the large department stores that we so enjoy visiting when we go to London. But I am optimistic about the High Street, even in the face of the graphs that we were presented yesterday at the presentation showing how the retail spend is falling, not just in the U.K., but in Jersey, and showing how empty shops rates are rising. Again they are rising less in Jersey than they are in the U.K. but it is still happening. One tries to remain optimistic and to keep putting in place reasons for getting people to come to the High Street; as well as shopping obviously we want them to come and enjoy the many other things that you can do in St. Helier and Members will have seen the Christmas Market being set up as they came here this morning. So the damage that we are talking about is both to investment, which I have already referred to, major retailers deciding not to invest in Jersey, but to the difficulty of those large shops being re-let. Again, I can give a specific example, again a local retailer wishing to invest, and again this is a submission to Scrutiny from which I quote: “The threshold [this is the £500,000] is a serious disincentive to invest and it is likely to completely stop the expansion of local retailers in Jersey generating profits near the threshold. This is due to the aggressive manner in which the tax rate increases from zero per cent below half a million pounds to 20 per cent at three-quarters of a million pounds, which could make businesses trying to expand worse off than if they remain below the threshold.” He gives an example: “An existing retailer producing taxable profits of just below £500,000 sees an opportunity to open new premises to satisfy demand or perhaps is presented with an opportunity to acquire another retail business.” That could be one of the various empty shops that have been persistently vacant during the past year in St. Helier. “It is expected to significantly increase profits to £750,000 and will require a capital investment of say £1.2 million to achieve this. The business leader runs a forecast and finds that, upon achieving profit of £750,000, tax of £150,000 will be due at 20 per cent and capital repayments on the loan will be required of £120,000 a year meaning that in cash terms the company is £20,000 a year worse off and no additional cash is available to return to shareholders to reward them for the risk. The business leader decides that there is no point in applying his talents to this venture when after the significant effort he puts into the expanded business and the risks taken by his shareholders there is no financial reward from the investment until the capital sum is repaid in 10 years’ time and the expansion does not proceed.” The retailer, later in his submission, says this: “We had been looking at a joint venture to open a stand-alone unit in King Street but because of the new tax we have stopped progressing this. However, it must be noted that if a U.K. business undertook exactly the same project then it would be unlikely for profits to exceed the threshold level.” So the local business does not invest in the empty shop, nor does the U.K. one, and we are very badly off. So the damage being done through this tax is clear; we heard evidence of it yesterday, and what we also have evidence of is, if the States were to send out a message today that we are reducing that retail tax to 10 per cent, it would have a positive effect. One Member yesterday asked of one of the business leaders: “What would you do if we did bring it down?” and it was very clear that it will certainly change the way some of these decisions are being made. We also have been told that the other effect of the tax, of course these large retailers have to pass on the costs, so training programmes

are being reduced and quite possibly investment in the community will be reduced. Again, without mentioning any names, but St. Helier Deputies will know about this because they come to our senior citizens lunches, there are local food retailers caught by this tax, which still invest in community activity and support the community in a very large way, and I do not want to see those community investments being reduced. So I come on to the fourth reason for supporting this, which is the reduction to 10 per cent is reasonable and consistent with Zero/Ten. As I have said, logically you could argue that the tax on retailers, because it is only singling out one sector and leaving lots of other sectors out there with zero per cent, you could logically argue that it should be zero. But the retailers have not asked for that; they have asked us to bring it down and to send a message out that we are listening to them. So I believe it is reasonable. It is more consistent with Zero/Ten than leaving the tax at 20 per cent. I have not said that it is affordable but interestingly Senator Ozouf, when he brought this matter to the last year's Budget, he had a suite of measures, which he tried to recoup the money for Treasury and ironically the debate mainly focused on whether we should be taxing gambling more and taxing the other income-raising measures more and really not enough was said about the effect of the retail tax. So when I took advice about this amendment I was told it was not my job to find the £3 million. Cynics would say there are an awful lot of pots of money that the Treasury could use. People might also say it is unfair that our Government's failure to introduce the waste charge, which is where this goes back to, producing a deficit in the States balance sheet, our failure to introduce a waste charge should lead us to impose a tax on one sector of our economy. So those are my main arguments. I hope that Members have had a chance now to read my report, if they have not already, and I hope they have also had a chance to read the comments by industry leaders who have spoken to us. I would just say in closing that some of the larger retailers who took time off their busy lives yesterday to talk to States Members had a look of consternation at the comments by some Members in the room and I do hope Members will spare me, not so much spare me, but spare those retail professionals their pet theories about why our High Street is declining. We could talk for hours about the effect of the internet; we could talk about the effect of high rents and so on, but what our retail community wants is a gesture of confidence in them; what they want us to do is to accept that this tax was brought in too quickly with inadequate consultation and reducing it to 10 per cent would be the best course of action. I maintain the amendment.

### **The Bailiff:**

Is the amendment seconded? **[Seconded]** It is now open for debate. I call on the Minister for Treasury and Resources.

### **1.2.2 Deputy S.J. Pinel:**

I do share the Connétable of St. Helier's desire to keep our High Street rich and vibrant, be it King Street, Queen Street or a High Street, and I do sympathise with retailers struggling to compete with offshore online retailers. I fully support the work that Senator Lyndon Farnham has now got underway to determine how best the Government can support the retail sector. However, the Council of Ministers does not support halving the tax rate paid by the 20 or so most profitable retailers in Jersey. It is right that they contribute more to the provision of the infrastructure from which they benefit, especially since three-quarters of them are not locally-owned, so we get no personal tax receipts from the dividends paid out to shareholders. The long and short of it is that this reduction in tax rate would deprive taxpayers of around £3 million yearly and retailers have produced no evidence to contradict the economic advice presented to the States by my predecessor in his last Budget Statement, which concluded that any impact on retail prices would be minimal. In April, following the last States debate on this subject, Treasury officials did invite Chamber of Commerce to work with them to understand better how big retailers currently allocate their profits in an attempt to verify the claims that 20 per cent would damage investment. Unfortunately nothing has yet been forthcoming to support a proper analysis of that claim. Absent that, and we have no data on which to justify changing our minds, over the next year, as the first tax returns are made, we will have much



better information about the scale of retail profits in these large corporate businesses and then can form better judgments about the viability or otherwise of any other rate. It is worth remembering that 20 per cent is what retailers paid before Zero/Ten. It was the obvious rate to reinstate. It is the same rate as is charged in Guernsey. When the Zero/Ten regime was introduced in 2009, no reduction in food or other retail prices followed, despite the fact that businesses suddenly saw their tax rates drop from 20 per cent to zero. There is no reason to expect that the position would be any different when the tax increases go back from zero to 20 per cent. The extension of the 20 per cent rate to large retailers was one of the few tax measures, which the last States Assembly was able to agree upon. It has helped plug the gap caused by the failure to agree on measures such as waste and health charges, to which the Connétable has alluded. It was proposed by a Back-Bencher and the then Council of Ministers agreed to introduce it subject only to checking that it would not compromise our Zero/Ten regime and taking account of lessons learned in Guernsey from their retail tax. It did not compromise Zero/Ten and we have managed to improve somewhat on the Guernsey scheme so, in line with the will of the States Assembly, it was introduced. These are the most profitable retailers in our High Street. The 20 per cent rate is only paid when profits exceed £750,000. That is profits. From £500,000 to £750,000 there is a taper. So, for example, a business with £650,000 pays 10 per cent.

[11:00]

For locally-owned businesses, tax is not additional, merely an anticipation of tax ultimately paid by Jersey shareholders. For the three-quarters of companies paying the tax that are owned offshore, most of these international businesses will not end up paying more tax on their Jersey activities; they will simply start paying that tax in Jersey and not in their home location. In his evidence to the Corporate Services Scrutiny Panel for their report on Budget 2019, the expert witness they chose, Mr. John Shenton, quote: “Suggested to us that, from a tax perspective, the retail tax would make little difference to retailers.” Continuing quote: “I see little merit in the proposal of the Connétable of St. Helier in relation to the retail tax. If the businesses are locally-owned then the ultimate beneficial owner will benefit from any tax paid. If the beneficial owners are off-Island then they are simply utilising Jersey’s resources and taking funds off-Island with no tax payable or input into the local economy. Most businesses are fully standard rated for G.S.T. so they suffer no adverse indirect tax consequences either. It is expected that most large businesses operating in Jersey will enjoy some relief for the tax paid in Jersey and therefore the imposition of the retail tax is not ultimately detrimental to the larger retailer. The argument that C.T. (corporate tax) in the U.K. is reducing could cause additional overall tax to be payable but the difference is relatively negligible.” It has been a longstanding criticism of Government that we did allow so many foreign-owned businesses to operate in our High Street while paying nothing by way of corporate income tax towards the costs of our infrastructure. This measure has rectified that position. In contrast to the current position, future tax on the Jersey retail profits of our largest retailers will not be greater; it will simply be paid earlier and will be paid in Jersey.

### **1.2.3 Senator S.Y. Mézec:**

I am pleased to follow the Minister for Treasury and Resources. A decade ago Jersey faced a choice, we either reformed our corporation tax system or we risked a large part of Jersey’s finance industry leaving because it would no longer be viable here. That situation was not of our making but we had to respond to it and that response was the introduction of Zero/Ten and because of European discrimination rules that meant a zero per cent rate being applied across the board with many businesses in Jersey going from paying 20 per cent corporation tax to zero per cent corporation tax. It is my view that the Government of the day responded in quite a clumsy way. It introduced G.S.T., which is a regressive and unfair tax, which disproportionately affects the poorest people in society. There was a small number of people at the time who said that this was nothing more than a sticking plaster and it was my party vice-chairman, Deputy Southern, who was as prescient as he usually is

and predicted a black hole back then and that has turned out to be the case. G.S.T. introduced at 3 per cent and then raised again to 5 per cent and then the previous Government attempted to introduce new forms of taxation to deal with that, including the waste disposal tax, which I opposed at the time because that also had the potential to be a regressive tax and was not based on how profitable a business was. So to get to this point, it has not exactly been a smooth crossing and we are not there yet and the Minister for Treasury and Resources in her opening speech to the Budget was absolutely right when she said that if we want first-class public services we have to pay for them, and that money has to come from somewhere. We have a choice, we can continue piling on new taxes to ordinary working people who have faced a decade of frozen living standards or we can ask those with the broadest shoulders to carry the burden. I think that it is right that businesses are asked to pay their fair share and for the last 10 years they have not because of the difficulties around the practicalities of Zero/Ten. So I want to congratulate the previous Government for attempting to deal with this in one way and I am asking the Assembly to reject this amendment and not reverse the decision of the previous Government. The Constable of St. Helier said in his opening speech that this is an unfair tax. He is wrong, I believe, it is not an unfair tax and if we were to accept that it is an unfair tax then I am afraid all taxes imposed in Jersey are unfair. Previously they were paying 20 per cent under the old regime, it has been zero per cent for a decade, I do not know about you but I would fancy a decade without taxation, but of course that is not going to happen because it is not the right thing to do, and unlike the proposed waste disposal tax this only affects the most profitable retailers. The vast majority of small and medium-sized retailers will remain unaffected and, if anything, it will help them be more competitive, which I happen to think is a good thing. But, if this is an unfair tax, then let us be clear, personal taxation must also be unfair. This is a tax of 20 per cent once allowances have been taken into account, whereas most of us in this Assembly pay 26 per cent tax once allowances have been deducted, so I do not think it is right to say this is unfair. I do not believe that we have been presented with any real evidence of the harm that would be done by introducing this and if you genuinely want to support the retail industry, which I do, there are other better ways of achieving that. One way is to support what the Assistant Minister for Economic Development has been publicly speaking about recently in terms of supporting the experience of going into town, making it more vibrant and interesting, and another, and I think more important, way of dealing with it is to address the issue that the Constable of St. Helier himself has publicly raised, which is the absolutely extortionate cost of rents in the commercial sector and one proposal that he has suggested, which I personally would back, is that of an empty property tax on commercial premises, which are empty for a long period of time. I would say to the Constable of St. Helier that if that was the proposal that he was bringing forward today he would have my full support on it. I think he has gone about this in the wrong way. If you remain unpersuaded by every point that I have just made now, then I hope you will be persuaded by this final point, which I think is absolutely crucial, and it is a very simple point, this amendment takes us into the red. It takes away £3 million without telling us where that £3 million is going to come from. I have a starting point that if you are going to produce an amendment to a Budget you should at least balance it out, if not find a surplus somewhere else, and this amendment has not sought to do that. So I ask Members to consider what that £3 million is, how many police officers' salaries is that, how much hospital equipment is that, or how much school headroom funding is that £3 million? I think that this proposal would have been much stronger if it had attempted to balance the Budget; it has not done it, it has produced a £3 million loss and that is not a prudent way of attempting to amend a Budget and so I ask Members to reject this amendment.

#### **1.2.4 Connétable R. Vibert of St. Peter:**

Some of my points have already been covered by Senator Mézec and I would congratulate him on his speech; I think he was very fair. My colleague, the Constable of St. Helier, believes that this amendment to the Budget is justified because he considers the tax is unfair. However, I would urge Members to reject this amendment. Once again we have a proposition that seeks to undo a previous decision of the States Assembly, something the public must be increasingly tired of. I do believe we

should support our retailers but this is not the way we should do so. Smaller retailers are far more likely to be impacted by online sales and high rents and this is where we should focus our support. I am however surprised that wholesalers and mutual societies are not currently captured by the tax. The 20 per cent tax on retailers with profits over £500,000 is a fair tax when we consider that every individual taxpayer in Jersey is taxed at 20 per cent. In addition, the tax is on a sliding scale between £500,000 and £750,000 so the full 20 per cent is not always paid. I should also ask that, in bringing this amendment, did my colleague have access to the worldwide or U.K. taxation position of the retailers who are subject to the tax? I suspect not because, with careful use of double-taxation agreements, it is quite possible that many of them are able to offset the Jersey tax in other jurisdictions, limiting or removing the impact of the retail tax. Prior to Zero/Ten, all retailers would have paid tax at 20 per cent and none of them would have questioned it. The threshold of £500,000 benefits the smaller retailers, allowing them to reinvest profits taxed at zero per cent in their businesses and perhaps this is how we should view the tax rather than claiming that retailers with profits over £500,000 have been disadvantaged. We should also consider that when profits are released to local shareholders and directors of Jersey-registered businesses, they do have to pay tax at 20 per cent, the same rate in fact that we are asking these large retailers to pay. Local retailers who are subject to the tax can, in some cases, offset the tax against their individual taxpayers. So again I say why should these retailers not be subject to the same 20 per cent tax applied to these individuals? I have heard numerous reasons to justify reducing the rate to 10 per cent but bringing this position, what evidence do we have that this tax should be reduced? Primarily we have the views of 3 or 4 organisations who represent retailers so this is somewhat of a one-sided argument with a number of organisations representing the views of a small subset of retailers. Those are the same views that they are all putting forward. In fact I saw in front of me this publication that we were given this morning and again it fails to mention that it is a subset of retailers; it fails to mention that the 20 per cent tax only applies to those who make profits over £500,000. It mentions retailers, but of course it is not all retailers. Of course it is not surprising that these organisations ask for the tax to be reduced or removed completely because, if I was to pick 100 people off the street and ask them if they were happy with the level of tax they paid, the majority would probably answer that they are not happy. But we do not have an amendment today suggesting a 50 per cent reduction in the rate of individual tax. In fact I am told that as few as 2 large retailers have contacted the States to complain about the level of the retail tax. If this is incorrect, I am sure someone will correct me later on. If we consider how few retailers are involved and we consider that a petition requires 1,000 signatures to prompt a Minister to give a response, it seems amazing that this amendment is brought with so few people asking for it. I also look at the result of this amendment. It is a loss of £3 million in tax receipts, which has to be found elsewhere. But the amendment makes no reference to how this will be done and this is a significant issue. If a shortfall is created then the amendment should also provide a source from which that shortfall would be made good. We are currently having to tell States workers that there is no more money for salary increases, however here we have an amendment that removes a further £3 million from the funds available to the Treasury. There are 2 sources where of course we could look for the shortfall to be made up, the smaller retailers by extending the tax to profits below £500,000, however I stated earlier that we should be encouraging our small retailers and they are already likely to be the ones who are impacted by high rents and online shopping.

[11:15]

We could then look at the individual taxpayers to make up the shortfall, but I would not support this either. Why would we burden individuals with further taxation when they already bear the burden of the majority of tax paid in Jersey? In fact these individuals are the very same individuals whose spending creates the profits for the retailers who are subject to the retail tax, so if they are paying 20 per cent, why should these retailers not pay the same rate? Accepting the amendment will not result in lower prices in our shops or revitalisation of St. Helier, nor would it prompt more retailers to move to Jersey. Retailers were quite happy to open shops here prior to the introduction of Zero/Ten

when all businesses paid tax at a rate of 20 per cent. It is a fact that retailers have disappeared from High Streets all over the U.K., not due to taxation, but because many of them failed to adapt their model to react to the popularity of online shopping and the high rents demanded by landlords. The same applies to our own High Street. Businesses will not forego the opportunity to make profits by trading in Jersey simply because of the retail tax, which currently is only 1 per cent higher than the corporation tax in the U.K. and significantly lower than many taxes in Europe where we see the same brands for sale. During the summer, I visited a town in France with a population of 5,000; nevertheless it had a vibrant High Street. I had the opportunity to meet with the mayor who explained to me that all the shops in the town, both big and small, contributed to a free bus service to bring people into the town from the outlying areas. This had been driven by the belief that their High Street was being impacted by online shopping. This is the sort of initiative that we should be seeing in Jersey to revitalise our own High Street, with retailers and the Government working together on initiatives to revitalise the retail sector. If we accept this amendment, we will remove for ever the opportunity of increasing the tax again at a later attempt. Any attempt would be blocked as it would be stated that the States Assembly had already confirmed in a vote that it considered that the tax was unjust. I urge you to vote against this proposition.

### **1.2.5 Senator S.C. Ferguson:**

I have been the subject of some vilification regarding this tax, not to mention lobbying. Originally it was brought on the grounds that companies were benefiting but not contributing to Island services and it was kept in line with the other Crown Dependencies. As the Minister said, it should be remembered that it is a tax on profits above £500,000 on a tapered basis and the Corporate Services Scrutiny Panel's tax adviser was somewhat dismissive of this. I have done one or two interesting calculations on this, no doubt the audience in the gallery will correct me in due course if my arithmetic is wrong, but we were told that the companies, or some of them anyway, deduct 10 per cent from the U.K. price to allow for the value-added tax. I assume they mean the U.K. selling price. So if the U.K. price is £120, which includes 20 per cent V.A.T., then a deduction of 10 per cent gives a price of something like £108, which is possibly something in the order of 6 per cent over cost price or the non-V.A.T. price. So you end up eventually with a selling price including G.S.T. of something like £113 on what was originally £120, but there is this bit in the middle that is there to cover other costs and shipping costs, which is something like 6 per cent on the non-V.A.T. price. So I think this is where Government can obviously have a look at this to see what the shipping costs are. So it is over to Senator Farnham for that one. We are told that two major brands have not come to the Island but we are not told what or who. The Constable says that the large cosmetic firm on King Street, the specialist one, does not pay the tax because of a large internet business, in which case why are we not re-examining the scheme? I had not realised that, I might have brought a proposition to suggest that. Two years ago in 2016, I did bring a proposition to ask for a total review of tax because there was no comprehensive look at the overall tax position and anomalies like this I think do need to be looked at, so may I refer it to the Minister for Treasury and Resources. The problem is the large internet companies. The Constable of St. Peter has already said there are other areas, which perhaps we should look at including, to all be part of a tax review. These sort of *ad hoc* changes here and there are not good legislation, not good tax policy, and this is why I brought the proposition for an overall tax review. There are improving town centres in the U.K. but they are not based on department stores with the best will in the world; they are based on small specialist local stores. King Street used to be much more diverse and the recommendations that go with how to reinvigorate your High Street are very much a partnership between Government, the local authorities and the organisations. We have already heard about the bus service, also looking at rents and rates, there are things that the authorities can do apart from just collecting the rates and brushing the streets. Finally, the proposer of a change, it is the rule that they are required to provide an alternative source of funds and I await with interest the Constable's suggestions in his closing speech as to how he is going to

fulfil that part of his proposition. As an ex-retailer in a former life, I do sympathise with the retailers, it is a tough old world. But we have to consider the Island as a whole. I await the rest of the debate.

### **1.2.6 Deputy S.M. Wickenden of St. Helier:**

How did we get into this state? Well, it is simple, we put things in the Medium Term Financial Plan to set as income before they had been agreed in the Assembly, so we had a big deficit of income, and I think that is a warning for the next Medium Term Financial Plan when we are looking at it; do not put ideas of new charges into the Medium Term Financial Plan until they have been agreed. So we did not get the health tax or charge and we did not get the waste charges through and that left us with a deficit in our projected incomes and we needed to do something else. I believe how this came about was there was 3 different choices of how we can make that money and this one was just picked out of the hat: "We will do this one." It was not properly consulted. It was not properly implemented. We should not be doing these kind of taxes without doing the right consultation and the right taxes. I also do not know where the £3 million came from because when we had Treasury in at our Economic Affairs Scrutiny Panel and we asked about what is the effect of the retail tax, they said: "We do not know until we have done a full year." So we still do not know really how much is costs. So, me, I am going to vote for this and I would ask other people to vote for it because it takes it down to 10 per cent, which the retailers are happy to help with, so we can assess what it is like. That is not to say we cannot take it up later, but it should never have been thrown in straight away at 20 per cent. This amendment rights a wrong. It should never have been implemented the way it was done. It should have been consulted better and we do not know the harms it could have. The large retailers in any town are the ones that help bring people to the smaller retailers. By having a large retailer, people will come to shop there, but the smaller retailers will be around and people will go shopping in multiple shops. They are important for a vibrant economy and a vibrant town. If they all disappeared, we would be in a much worse place in Jersey; we could really say that our High Street would be diminishing. Jersey's High Street has survived very well compared to many other towns and it is not just the internet, a lot of other towns have had large super hypermarkets just outside somewhere like Blue Water and that has dragged most of the shopping into one area and that is really where they struggled and we do not have that problem over here, which is great, so the internet has had some impact on us but not so much. But if we start losing some of the bigger retailers we will see the decline of our St. Helier and our retail offerings, so please support this amendment.

### **1.2.7 Senator S.W. Pallett:**

I have got a bright tie on today because I hope we are going to do the right thing but you do not know what the right thing is yet. I just want to start with a comment that was made in the comments paper around this scheme broadly mirrors the scheme in Guernsey. It may well do but there are a couple of things, the market in Guernsey is different and I am not a big fan of comparing ourselves to Guernsey. Also, importantly, there is no G.S.T. in Guernsey, so let us be careful when we make comparisons. Introducing this tax no doubt will limit the amount of investment that stores will put into their shops and I do not believe they will be able to soak up extra costs while they are doing business in Jersey. Ultimately, when you look at the amount of G.S.T. paid locally, yesterday it was quoted at £36 million, there is a risk that these G.S.T. receipts will reduce and probably will reduce more than the £3 million that this tax is supposed to be raising. Senator Mézec is always consistent, I will give him that, I do not think he is anti-business; I think he is pro-business, but I think he needs to understand how business works and he certainly needs to understand the need for investment in business. As I said, a 10 per cent loss of G.S.T. receipts on sales of goods in the retail sector is more than the potential loss of the £3 million of retail tax by reducing the tax to 10 per cent. Do we really want to take the risk of damaging what is an already sensitive retail market in Jersey or are we going to support the retail sector in Jersey to invest in their product, not just for the local market, but also for our tourism market that has seen some shoots of recovery over recent years and an upturn that I would not like to see damaged in any possible way? Having spoken to hoteliers recently, they

understand how fragile the retail and tourism sectors are with not only changing behaviours in the travelling public, but with Brexit, no Brexit, or something in between Brexit looming next spring. The Council of Ministers' comments suggest that no change should be made to this scheme of taxation without clear evidence of real hardship. Well, let us make no bones about it, the retailers will continue to pick up the cost of the 20 per cent retail tax but at whose cost and at what cost? Any business needs to remain profitable and we need to ensure our retail sector, not only in St. Helier, but in other parts of the Island such as Les Quennevais, which has got a retail sector that is struggling and certainly will carry on struggling, but they need to remain viable and they need to remain sustainable. This level of retail tax will, and I repeat "will", mean less investment in local retail business.

[11:30]

We have heard from local retail business leaders who have told us face-to-face what it is going to mean if this tax carries on at the rate it is. A 20 per cent retail tax only heightens the risk of seeing more empty shops, such as the former Next in Queen Street, and I think also puts at risk shops that benefit from the increased footfall around some of the larger stores in St. Helier. What I cannot really believe is this Council of Ministers is thought to be listening and caring. Well I cannot believe they are going to play Russian roulette with our local retail sector unless there is a clear indication of real hardship. It will be too late. It will be too late when further large stores decide that the risk of doing business is no longer worth it. With the number of empty High Street... and I do not like the phrase - I know the Constable said it - whether it be King Street or High Street, but with the number of empty High Street shops we already have, what message is it sending out to potential new businesses looking to operate in Jersey when, after considering the high cost of rents, considering the limited labour market and resources, and add to that the 5 per cent G.S.T. that we charge here, which we all accept is the right thing to do, we then tell them there is a 20 per cent retail tax, which, by the way, was introduced with very little consultation with the retail sector itself. This tax may, as the Government's economic advice suggests, have limited impact on prices, but it does send out the wrong message, both locally and wider afield. Let us be frank, retailers have always been prepared to contribute to paying tax, but not at 20 per cent, but 10 per cent, which not only seems a fairer rate, but a rate that the sector itself supported and feel is reasonable to absorb. Had I been in the Assembly when voting took place on P.62/2018 earlier this year - and I am going to bring it up before somebody else does - brought by Senator Ozouf at the time, rather than a tied vote we already had reduced and rescinded the rate from 20 per cent to 10 per cent. I previously apologised and made it clear that I would support a reduction in the rate and, if appropriate, bring a proposition myself. The Constable of St. Helier has beaten me to it and I congratulate the Constable for bringing this matter back in front of States Members. I want to quote from a report accompanying P.62: "Warnings were given that if the cost could not be borne by the businesses themselves the cost would be passed on in terms of higher prices. The cost of living has already increased due to exchange rate volatility after Brexit and a further self-imposed price increase would moreover damage confidence in Jersey's much-valued vibrant retail sector. The cost of living R.P.I. (Retail Price Index) in Jersey is now running at 4.5 per cent, which will, if unchecked, be damaging to our local economy and is already fuelling pay demands in both the public and private sector." By not listening, by not consulting adequately, we have already to some degree shot ourselves in the foot, so why do we not take the opportunity today to sight the gun away from our other foot before it is too late. This tax has been described by some, certainly within the retail sector, as reckless and it has been blamed for the inability of some local supermarkets to cut prices to lower levels. In fact one headline read, and I will not mention the store's name, but whatever the store is: "5 per cent price cuts; could have been more." I think that is true. We have an opportunity today to limit that damage already done and, like the previous speaker, I really do urge Members to take this opportunity, support this amendment and support what is an already fragile retail sector before damage is done to a point where we do have a High Street that

mirrors those in parts of the U.K. which I have visited and I know the Constable of St. Helier has visited. We do not want to get to that stage. Thank you.

### **1.2.8 Deputy R.E. Huelin of St. Peter:**

I fully understand that £3 million - maybe more or maybe less, who knows, because there is no data - could possibly be lost to the balances. However, I do feel there is a point that has to be made. I was delighted to hear the Minister for Treasury and Resources discussing investment in a new E.R.P. (Enterprise Resource Planning) system or an integrated I.T. system, call it whatever you wish, which made me realise how far behind we are in this Island and certainly within our Government. In 1994 Oracle announced - 1994, about 25 years ago - that it would start selling, designing and building such I.T. systems, and about the same time as that a bloke called Jeff started selling books online and he is now, as we all know, one of the richest men in the world. Now, I would suggest that this dramatic change, which will go down in history as, call it the electronics revolution or whatever, but the follow-up to the mechanical revolution is not clearly understood by us and I do not believe anywhere, in any geography, the consequences of online sales on the internet is really appreciated both positively or negatively in the High Streets of any parts of the western world. However, our experts, our retail experts whom we are relying on to populate our High Street have put some very powerful points forward that are on our desk. I suggest we must listen to them. Now, I am not saying that 10 per cent tax rate reduction is going to save our High Street, however I think we ought to, as I said, listen to our major retailers and give them a chance to prove it to us. Thank you.

### **1.2.9 Deputy D. Johnson of St. Mary:**

I begin by confessing, saying that at the time of the last debate on the subject I voted for the *status quo*, i.e. that we should retain the 20 per cent full, for all the reasons which Senator Mézec has set out. I soon changed my mind. In his address the Constable set out various reasons why the amendment was necessary to regenerate St. Helier and I focus on just one of those and that is that very point, the regeneration of St. Helier. As we all know, all towns in England and elsewhere are under the same pressures. Members may recall they kindly appointed me as their representative member of the British-Irish Parliamentary Assembly, B.I.P.A. In that capacity 2 weeks ago I attended site visits in the north-east of England to see how certain towns there were faring. It is a general problem and now is not the place to debate what other steps might be taken to regenerate and revive those townships. What is important is that, by all accounts, the full 20 per cent payable by all outside retailers is limiting investment. We only have the word of the interested parties in that but I am prepared to accept that is the case and we cannot afford to allow that to happen. St. Helier will continue to deteriorate, like all towns will, but I go along with what Senator Pallet said: I think we are in a relatively good place but once lost, any vitality we have will be difficult to regain. In the words of one supermarket: "Every little helps" and I believe that attracting inward investment into the Island must be to the Island's overall advantage. We cannot simply look at it in budgetary terms as to what we might lose by this change. One other factor I took into account at the occasion of the last debate, and again now, is how any change would affect the smaller retailers of Jersey. One of my concerns was that if retailers based outside are not paying their 20 per cent tax surely that gives them an advantage over the smaller retailer we have here who will be paying the full amount. In that connection, I asked only yesterday the specific question as to how these smaller retailers viewed it and it appears that they take the view that we need the bigger boys to come in from outside to stimulate our trade and they would therefore welcome this change if it were implemented. For that reason I support the amendment.

### **1.2.10 Deputy G.P. Southern:**

Before we get too far off piste, perhaps I can remind Members of what happened 10 years ago: we went for Zero/Ten and we took tax off these very institutions; zero tax. That is the reality and now when we propose, in some form or another, and it is very watered-down, to put that tax back we get

complaints. Well, unsurprisingly when we went for Zero/Ten we put a great big dent in our public sector and our revenues and we found that we could not run the Government on Zero/Ten and we had to look around for new taxation measures. We did not come up with a liquid waste charge, we did not accept a health tax. Nonetheless, we are faced, years down the line, with a £30 million to £40 million deficit and yet here we are arguing about £3 million off the profits of large companies trading in our Island; not necessarily registered here, not paying tax here. It seems to me that an argument that this is such a large risk is absurd. We are asking these companies to pay tax at 20 per cent on their profits; note, profits. Profits after all expenses, all overheads, all rents, all statutory employment have been taken into consideration; net profit. I look at that and I think: "Gosh, that is a good deal I keep four-fifths of my profits." Where is the flaw in that business bubble; or do you not accept that you have any duty to pay for society and what Government does; pay for services which allow you to deliver goods on the roads, have your trained workforce, well-educated and polite, *et cetera*. "Oh, no, we do not pay for that, we want to pay less than 20 per cent." Everybody else is paying 20 per cent, these companies are not, on their profits. So, if I were one of these businessmen, I would be rushing around thinking of ways I can reduce my profits down to a manageable level so I would pay less tax. Perhaps I might consider splitting my company into 2 or 3 subsidiaries so that each one does not reach the magic £750,000 but the net is larger. Maybe I find a way like that. Or, and here is a revolutionary thought, let us suppose I should say: "I want to reduce my profits so I do not pay all this tax because I resent paying this tax. Let us suggest that I pay the living wage to all of my staff, at least the living wage to all of my staff. That way they will earn more, they can afford to buy the products that I am producing - they produce." Henry Ford said: "That is a good solution. Bring your tax bill down, pay your people a living wage at least and Bob is your uncle." Will that happen? What happened when we took the 20 per cent tax off these companies? Did we have negative inflation, deflation? Did we have rampant deflation? Found the word. No, we did not. We did not see a mass 20 per cent come off our bills at all; never happened. I leave that question in the air: why not?

#### **1.2.11 Deputy M.R. Le Hegarat of St. Helier:**

I might come from a slightly different angle to most of the other speakers this morning, and that is this: we currently have 3 or 4 very large empty premises, one at Charing Cross, one just across the road, one in Queen Street and one around the corner next door to Jaeger. Now, what do empty shops mean to everybody? That means that you then have a principle that the place starts to look neglected maybe, and what comes with a neglected town; probably an increase in crime. It was interesting because I did not really think that I would talk about this in relation to this particular topic but the Minister for Treasury and Resources mentioned the fact that without the £3 million ... and let us be honest we do not know whether it is £3 million, £4 million or even £5 million, or maybe only one, we have no idea.

[11:45]

But the critical point is that the Minister mentioned that £3 million could be used to pay for a police service. Well, that is very interesting, is it not, because once we have a neglected town, and I think you will find that in the U.K. a lot of the towns which are losing a lot of their shops, they are becoming very neglected, they are now boarded up, *et cetera*. Now, that is what concerns me as much as the fact of whether we should or should not have had a 20 per cent or 10 per cent tax on businesses. Now, for me this is about investment and this is about what we can do to help the retailer industry because I do not want to see empty shops in St. Helier. I do not want to see empty shops anywhere in the Island and I have seen that and we have all seen it happening around the Island as a whole. But for me it is about ensuring that St. Helier is a vibrant capital where we do not end up in the scenario like a lot of places in the U.K. who have got boarded-up shops. What does that mean? That then means that crime does increase and it is probably a known fact, although, I have to confess, I do not have the evidence here today with me because I did not intend to make this point at this time. I



also think that if we are going to have ... and we went down the road of Zero/Ten and I can accept why we did that, *et cetera*, and I was not part of the Assembly at that time. I can also see that there are people saying: "Well, these people were paying that 20 per cent then." Yes, they were but if you are going to do that what about everything else? The point is, let us make it clear, I am not about bringing back 20 per cent in the finance industry and all of the other industries. What I am saying is that if we are going to look at taxes and we are going to look at taxing businesses, companies, us, we need to have a system and we need to look at it properly before we, *ad hoc*, throw something into the mix. So I will be supporting the Constable of St. Helier because I do believe - and I have spoken to other people as well - that there was not much thought put into this 20 per cent, it was let us just do this because we have shortcomings in other places. Somebody did mention this morning when you are creating a Budget you should not be saying: "Here is my Budget. We have not agreed on this but we will throw the money in anyway." Thank you.

### **1.2.12 Deputy M.R. Higgins of St. Helier:**

I will start from the very beginning by saying I have no sympathy with this proposition whatsoever, and the reason I say that is first of all, that all retailers paid 20 per cent before we introduced the Zero/Ten provisions. Yes, they have had 10 years of making some very, very good profits at the expense of Jersey residents. I also feel very strongly about this because of the number of retailers who are still charging the equivalent of the 20 per cent V.A.T. to Islanders. So in other words they are getting their ordinary profit margins, which they built into their calculations, and they are taking from retail customers 20 per cent more, which is going into their profits. So, why do we pay so much for the goods? That is one reason. The other one is we are constantly told freight expenses cause them to have to charge but in many cases they are charging far more than the actual cost of the freight. A number of years ago, and those who were in the Assembly when I brought it 10 years ago, I brought a proposition in because Zero/Ten had come in at that point and we knew we were going to experience a black hole. If retailers did not pay tax and others did not pay tax it was going to be the ordinary consumer who was going to be paying tax. If you look at the tax profile we have in the Island now, I think, looking at the actual figures, it is something in the order that people like you and I are paying 85 per cent of all the taxes. If you look at the graphs, basically our share of tax has gone upwards to the right and what is being paid by corporations has gone down to the right. That is what happened because of the Zero/Ten policy. I heard what Senator Mézec said about why we brought it in. Yes, it was the Isle of Man trying to get a competitive advantage on Jersey when we came under pressure from the European Union and they said: "We will charge Zero/Ten." If we had kept on charging 20 per cent we were going to lose business to them. They were trying to grow their share of the financial services market. I understand why it came in but it still does not make it right that the consumer is having to pick up the tab. Now, when I brought that proposition I was trying to tax those retailers that charged the equivalent of the 20 per cent and those retailers who were exploiting freight charges and I lost. There were 2 reasons why I lost: one was lobbying from the industry at the time and (2) Senator Ozouf, who tried to tell Members, who believed it at the time, that you do not use tax to try and influence behaviour. Our current Minister for Treasury and Resources has already told us the tobacco charge is going up by 59 pence. Why? Because we want to stop people smoking because of the cost it will have on the health service. All Governments use tax to influence behaviour so do not believe otherwise. Even the Chief Minister is agreeing with me. At the time he voted with Senator Ozouf and supported him. Anyway, what I would say here though is, yes, we have had that, and the other reason why I will not support this - I was caught once before - I was caught by these statements: do not put taxes on this because we will help the consumer. A few Budgets ago, former Deputy Sean Power convinced the Assembly that we should not raise taxes on alcohol. Why? Let us give something back to the consumer because they had been getting these constant rises. I did feel sympathy for the consumer and I did not vote for the tax rise and neither did other Members. So we had a freeze that year effectively. What happened? The breweries put their prices up by the equivalent of what we did not pass [Approbation] and I happen to think that this could happen again.

All I can say is if the industry was responsible and basically paying - and I would like to see all the placards on the shops again: "We do not charge U.K. V.A.T. prices" - and if we had an idea of what they were paying for freight I might have more sympathy for them. But they are still pocketing the money. The other point I would make is, as has been made by others, who are we taxing? We are not taxing all the companies in the Island, we are taxing only those who make very large profits. To be perfectly honest, unless we see more support from the industry in terms of lower prices for consumers and doing their bit to help people who are in need, then I will not be helping their need on this particular occasion. I will not support it and I would encourage other Members not to support it either.

### **1.2.13 Deputy L.B.E. Ash of St. Clement:**

To back up the last speaker there: we have often heard of the retail tax, the press have made big play on a retail tax. This is not a retail tax. It is a misnomer to call it a retail tax. It is a tax on the profits made by large retailers, profits over half a bar, sorry, that is half a million - that is lapsing back to money market speak - for non-local owners, they pay tax in Jersey rather than where they reside; 75 per cent of impacted companies in this are non-locally owned. Indeed, as far as the Treasury are concerned, they have been very quiet on the issue. As for the G.S.T. mentioned by Senator Pallett, the retailers, large or small, do not pay that, we do. I also object to the assertion that the Treasury Paper is unreliable while the large retailers' information is gospel. As someone once said: "They would say that, wouldn't they?" The High Street will not stand or fall on this issue. As Mike Ashley said yesterday, and for those of you who presumably know Mike Ashley, the owner of Sports Direct, who is a large retailer, he said that the only way that the High Street can really make a comeback is by taxing the internet purchases higher. At the moment we are not taxing them at all, we did not do the *de minimis* to the tune of losing ourselves £1 million. So it is something that we will have to look to help the retail industry here. Let us also be clear that reducing this tax will not reduce prices. What it will benefit is the 100 per cent of shareholders and the U.K. tax authorities but prices it will not reduce. Finally, our information is that it will be £3 million lost to the Treasury. Now, there is no point in us standing here yesterday when Deputy Ward got through his amendment, very laudably, to build a youth club in the north of St. Helier and us all going: "Well done, Deputy Ward, that is brilliant." If, when it comes to it, we do not have the funds to fund that youth club. That is why I would vote down this amendment. Thank you.

### **1.2.14 Deputy J.H. Young of St. Brelade:**

Yesterday I said that in the past previous Assemblies have run away from difficult tough decisions, decisions about levels of tax to pay for our Government spending. I think it is absolutely right of the Members who have spoken about the history that led the Island to introduce Zero/Ten. We had no choice in it, we were moved away from the very comfortable balanced tax situation where there was equity between private taxpayers and businesses, and things were much more in harmony. But we were forced into the Zero/Ten regime and I think it was very brave of the previous Council of Ministers and the Minister for Treasury and Resources to adopt the tax on U.K. corporates. I am sure if they could they would have extended it to corporates not just retail. But of course it says it was ill thought out. Why was it done? It is because it followed the model in Guernsey and the Isle of Man because all the Islands had the same problem: Zero/Ten has had the effect of shifting the balance, vastly increasing the load on individual taxpayers and creating a situation of enormous tax benefit advantages to the corporate sector. Now, we need to have the Zero/Ten obviously where we are, and I do not pretend to be an expert on it but, as I understand it, we need that because of our financial services industry. But what we have seen is that since that change we have had a migration of U.K. corporate businesses establishing in the Island, acquiring local businesses who pay tax here. Where people have sold up their businesses to U.K. corporates who were able to get tax advantages that they were not, and they still cannot get them. So we have those corporate businesses in the Islands and I have heard that they are in poverty. I ask: is this a failing sector? In the Constable's report he tells

us that the turnover of the retail sector is £720 million. He tells us, and it is an interesting thing and I find it a bit surprising, it also tells us that only £16 million of that is from visitors. I thought that was a bit surprising, that I thought the visitor impact might be higher, and then 8,000 employees. Now, does that strike you as being a business sector that is not buoyant? When you walk down our High Streets, yes, we see there is plenty of activity. Fortunately, we are a society that is very wealthy. We have an imbalance of tax policy that we will go into in detail again but we have got a very healthy society in terms of the amount of money in the system. Now, I know my colleagues have drawn upon the models in the U.K. and the situation is definitely dire in many parts of the U.K. as far as town centres that are being destroyed as a result of the growth of the internet and so on, and I have seen those places. I have visited those towns, northern towns, the subject of regeneration activities and so on, and they are like wastelands. But when you start to analyse the cause of that you have to ask what is it. In the U.K. they pay huge business rates. What are we doing in our local retail sector? Hardly any, and I think that is something that in future property tax needs to be on our agenda as we discuss options for paying for our public services. But in the U.K. they have that state of affairs. We do not. The Constable says: "Do not start going into the issues about the problems of the retail sector." Sufficient to say rental levels. Rental levels must be a fact in decline on empty shops, something which has to be addressed by the new Council of Ministers. Just one little local example: the parade of shops in Les Quennevais where I think the figures show that a small retailer would have to be able to earn profits of £1,000 a week to pay for the rental, in a little shop like that. Why is that? It is because U.K. conglomerates have acquired the shares and the ownership of those properties and those properties are on their balance sheets at inflated values. Just like happened in the U.K. with town centres, shopping centres, what do they do?

[12:00]

They will not write them down because, oh, no, it would look bad. They will not write them down and adjust the rents to a market level. They hang on to these things and try and ride it out and that is why you get town centre deprivation in the U.K. I think we have got to start at those issues about rental levels. So I think those things are responsible for those things not this tax. Now, I would personally like to have seen this tax extended to include other corporates, wholesalers, businesses that provide major supplies, and I could name them but I think it would probably be unfair. We all know who they are; major employers who provide services and those businesses are part of big corporate structures, and where do their profits go? They go up the tree, out of Jersey into some structure, into the lowest tax jurisdiction they can find to take advantage of. I think what those businesses are doing, unless we have measures in place, is they are extracting economic value out of Jersey and exporting it. I asked myself this question, I have been asking for figures: how many of those people or those businesses employ minimum wage employees? How much income support is the taxpayer paying to support that low-income business? I have not got those answers. The challenges I have issued to Treasury and Social Services, I would like to see those figures. So I cannot stand here and say it is a fact; I ask the question. The final question I would like to ask is: is it right that as ordinary taxpayers we have to pay another £3 million of tax in order to support the tax of off-Island corporates who are trading in this Island? Is it right? Have we come to that situation? Yet, yesterday, look at the boldness of the plans we are going for. Are we going to baulk and go backwards in terms of addressing our needs to balance our tax and spend? I think, fortunately, the Minister for Treasury and Resources has given us, I believe, a superb Budget and I was so impressed with that speech. It has got all the right ingredients. So, please, I ask Members, do not disturb the balance of it - vote against this amendment.

#### **1.2.15 The Connétable of St. Brelade:**

I am pleased to follow the Deputy of my Parish but I disagree with him. **[Laughter]** I do express a degree of conflict as a small retailer but unfortunately with insufficient profit to justify 20 per cent tax rate. I would concur with the previous speaker in the effect on the loss of retail, empty properties

on an area is significant and he referred to the Quennevais Parade in my Parish which is very, very sad at the moment and I would not wish to see that occurring in King Street here. While I fully understand the motivation behind the tax, and I am not a tax expert but I am a retailer, and the desire to have a contribution to the Island's finances by non-resident retail business owners, I think there is a naïvety as to how retail works and the variables that are involved, and the variables are significant. Previous speakers have picked out various elements of the retail trade, whether it be cost prices, whether it be transport, whether it be margins, offers, quantities, *et cetera*, and all these need to be taken into account by the operators of any retail establishment. Rental, of course, is a very pertinent issue. The harsh reality is that we need to think of alternative methods of achieving this, of achieving the improved retail offering which is shown to be diminishing in the High Street situation not only locally but also nationally. It is my view that playing with this tax by retaining this 20 per cent is such a high risk to the retail offering here. I think I would refer to La Rue d'Driéthe, St. Helier, the backstreet, as we have called it in the past, is something that I would not want to see. I do not want to see this proliferation of empty units which we have at the moment. It is about the risk to that, it is about the risk to jobs, it is about the risk of G.S.T. takings and I think we need to put far more emphasis on those areas. The retail trade is highly sensitive at the moment, principally to a change in culture and that is unlikely to change in the short term. I would therefore propose that we really must do what we can to support this fragile sector of Jersey's economy. At the moment, with a view to halting any decline, and put effort into trying to achieve it and help it adapt to the 21st century, our needs and our economy today. We need to give potential investors in Jersey retail the confidence that there will be local support. I believe the Constable's amendment helps in some way to achieve that and I will give it my full support.

#### **1.2.16 Deputy M. Tadier of St. Brelade:**

We have to have a slight reality check here when people are standing up saying we should not be playing with our tax system. Let us remind ourselves of the phrase that the Minister for Treasury and Resources has used today and she used that throughout her election campaign, which has stood her in good stead, is the A, B, C. Is it affordable, is it balanced and is it common sense? Those who are seeking to do the tinkering here are those who are trying to change an already established 20 per cent rate which was agreed by the last Assembly. We might remember the words of former Senator Bailhache, I am sure he is not the only one, who said: "There is a risk that previous Assemblies want to continually debate things that have already been agreed." We have not even seen one year's tax take from this yet, yet we are getting these arguments put forward as statements of fact from the very good lobbying group that we have had - the presentation yesterday was very slick, it has to be said. So, no discredit to the various groups that have been putting these arguments forward, that is as should be the case. But they are being put forward as statements of fact when all they are saying is: "We do not really know how this is going to affect us so please reduce our tax from 20 per cent to 10 per cent." It is nice if you have got a lobbying group to be able to do that for you but I do not think many other individuals, certainly when it comes to personal taxation, have the ability to do that. So it is not the Minister for Treasury and Resources who is playing Russian Roulette with this tax, it is the tinkering and the suggestion of instability, as those Members who are putting forward a rate of tax which is half of what has been agreed, as some kind of punt. What I really do not understand is if the industry, which used to be taxed at 20 per cent, is saying: "We cannot sustain 20 per cent tax." Then why are they asking for 10 per cent tax? Because that should pose at least half of the problems that they will be getting with 20 per cent tax. They should be saying: "The industry is going to have to pass this on to customers." That is not proven at all. We have seen that the link between increases or decreases in taxation and the High Street prices that are charged bear little or no resemblance and that is the same when it comes to the pubs or when it comes to ... I had better be careful with that; I might need to use a different argument later. But I think what we do know is that there is not necessarily a correlation. Look at consumerism in Jersey, it is very complex. You just need to look at the petrol pump prices. It should be the case that the petrol pumps that are charging what I think

is often an extortionate amount and an extortionate mark-up for their services, should not be in business at all, they should not be successful but nonetheless they know that they can afford to charge that. I do not want to judge them too harshly, it depends on their business model and retailers in the petrol industry will be open more or less 24-hours a day or certainly very late into the night and they offer a convenience and people may be willing to pay for that. I do not want to stand here and use this as a debate to list all the things that are wrong with retail and all the things that can be improved because that would be very patronising and I think the industry is already doing lots of work in that area. But I think the points that Deputy Higgins has made, and he has made them consistently in the past, are ones that really need to be looked at, as to why is it that some companies still appear to be charging V.A.T. in Jersey, especially if they have got U.K. equivalence in the High Street, are charging the same price with a 20 per cent mark-up, which presumably goes into their pocket with a little bit of difference. It is not 20 per cent of course because there is the 5 per cent G.S.T., it works out at about 12.5 per cent. But that is money that should not be charged which is not being passed on to the consumer in many cases. So the argument of sympathy from the consumer is an interesting one. I fully understand why the industry has been lobbying. What I find more difficult to understand - and I have to be careful here, I am the Assistant Minister who has responsibility for some consumer affairs - is that I cannot quite understand why we are being lobbied by the Consumer Council on this. If the argument is that we do not know how this is going to affect us, the bottom line is that there is no evidence out there to say that this is going to affect consumers and the prices that they pay. We have to remind ourselves that we are only taxing profitable businesses and the profitable businesses at the top end. It is not like personal income tax where we can turn around and say: "Well, people get taxed on all of their income" save for some modest allowances. You do not get taxed on your profit so we cannot turn around at the end of the year and say: "I have only got £10 left that I have not spent so can I be charged 20 per cent tax on that £10 because that is my profit the rest are just operating costs and investment; so, food, housing, petrol, the car. Can I get away with just paying £2 tax, Mr. Treasurer or Mrs. Minister for Treasury and Resources?" I do not think it works like that so remember companies are completely different beasts. The argument about not being able to invest in their businesses: if you reinvest in your business that is a deductible tax allowance, so good on you if you want to invest in your businesses. I heard all these arguments yesterday saying: "Oh, but we have invested so much in our store over the year." Well, of course you invest money in your store because if you have got bricks falling down around your ears it is not going to be a very good operating business model for you and you may get sued by your customers. So of course you are going to do what you need to keep operating. What I am concerned about, from a ministerial point of view, and I think this is the positive side, is that - and some Ministers have touched on it already - Members may be tempted to vote for this as some kind of tokenism to say that we are helping retail when there is no evidence that it does that. The complexity and the crisis, if you want to call it that, that is facing the modern retail High Street industry in Jersey and elsewhere is so complex and so fast changing that it is not going to be solved or even necessarily aided by reducing the tax rate. But that causes a problem for us; it means that we have got £3 million less than we already have to play with at a time when we are already struggling to find budgets. If I said to every Minister in here: "Can you afford to make any more cuts to your budgets already?" So when it comes to sport, when it comes to economic development. I do not want to get into an argument, I know the Minister for Economic Development, Tourism, Sport and Culture was on the radio this morning and did very well. I am facing similar problems in the arts sector, the health, the education. I think all of these areas need more investment, more money not less money, and I would like to see a more vibrant town centre. I look at places like Granville and St. Malo and I am going to be told, okay, they are not equivalents, they come from a big land mass, they have much more tourist footfall. But you go over to St. Malo, you go to Granville, especially in the summer months, they will probably be open on a Sunday. The large retailers, I think, are allowed to open Sunday morning, the small shops in the summer months. The independent shops, they are the ones that create the vibrancy in those towns if you go to Brighton and you go to the streets. Now, I know the argument has been

made that you need the big retailers to bring these in. I do not know if that is entirely true. I think in many cases it is the big retailers which are causing the problems. If you look at my constituency in Les Quennevais, there are lots of empty shops, slightly less than there were a few years ago, and the problem there is not one to do with taxation at all, it is not to do with the rates on the shops either, it is to do with the fact that the only ones who can afford the very high rents are the franchises and the U.K. High Street brands. I think one credible argument, to be fair, is that there is a risk that if we set a corporation rate too high it may stop certain inward investors coming to Jersey, so new businesses setting up in the Island. By and large they are just going to be High Street brands. What I would like to see the retail industry doing, taking on board the recent findings from the retail survey, which I think is yet to be published but I suspect that they have got some sight of it, is to really start catering more for the tourist industry in Jersey because I think there is a sense in which there is no point trying to compete with the internet; people shop both online and locally and people will remain shopping in the High Street if they get a good level of customer service. If, for example, you continue to invest in training, if you go into a shop and you are looked in the eye and you are given helpful service, you will probably go back to those shops rather than the ones in which you do not necessarily get the best level of customer service. So I think there are lots of things we can do. I would prefer to say let us have this £3 million.

[12:15]

Let us use some of that, please, for reinvesting in St. Helier. Let us use some of that, please, a small amount for getting street theatre and art out there in the streets. Let us do what some of the European cities do and say: "Let us put more festivals on in the town centre in the winter months right throughout the year. Let us have pots of money available for culture, for dynamising the town centre." Not just in St. Helier, by the way, we need to be doing this in places like St. Aubin, Les Quennevais, right throughout the Island, and Gorey, where there are peripheries there. Let us use some of that money here because I think this knee-jerk reaction to say: "Let us do this tokenism to help the industry" I do not think does it in the long-term. If it is the case, and I do not think this is Russian Roulette, if it really is the case that in 2 or 3 years' time we find that the tax receipts for the retail industry have gone down, then we can look at that. But I think that would be a much more complex scenario where it is not to do with the retail sector anyway, it is to do with much more complex factors. So, how do we get those empty shops, which are much lower incidentally than in the U.K., down? Well, we need to look at that. We need to say: "Why is it, considering that free market economics should regulate this problem" because presumably it is not profitable to leave a shop or even an office empty for years on end and that is what we are seeing in some cases. It is because there are contradictions in the modern capitalist system where people invest in all these properties. The ones in Les Quennevais are not owned locally, they are owned as an investment for a pension fund so they can presumably take the hit. They can sell that up at any time if they want to. If you have locally-owned businesses, and I think some of the community hubs that we have got at St. John's for example, ones where the market is, you never see any empty shops in the local market. That is because the rents are moderated, they are affordable and whoever runs the market, I think it is the States, they make sure that they do not have any empty shops there. The market has been going for hundreds of years so there are things that we can do, which fall short of nationalising or being completely communist, but saying that maybe there should be more States-owned shops. So when we build the new Les Quennevais School and we have the old Les Quennevais; maybe there could be something that could be done around that, maybe the Parish could look at running and leasing out some of those shops. I do not know. Those are just a few ideas. There are lots of dynamic ways that we can all put our heads together to really help the industry that I think we all want to thrive while acknowledging that the world is changing. But I do not think this simple tax solution is the panacea that it is put out to be. I would say do not be taken in by it. Use that £3 million. All this is going to do is create a further £3 million hole that we have to fill and there are lots of ways that we can help the industry and we should all be pulling in that same direction but not in this particular way.

### **1.2.17 Deputy S.G. Luce of St. Martin:**

When we previously debated this item in this Assembly I voted in favour of 20 per cent. But I have to say to Members today that I intend to change my mind and support this amendment. I do that for a number of reasons, not least because I want to do more to support the retail economy; not least because I want to do more to support jobs in the retail sector; not least because I want to allow Islanders to enjoy the best possible choice. It is clear to me that our plans for the future of St. Helier, our capital, are strong, exciting and robust but in order to achieve all those improvements for those who live, work and visit St. Helier, we need a strong, exciting and robust retail sector. Every plan we have for the future of St. Helier centres around a vibrant retail heart and to allow it to contract, we do that at our peril. I want to continue to work with the retail sector and I say to them today something that the Minister for Treasury and Resources said in her speech, and I quote: "I want to grow the economy. I very much want to see training and development in retail. I want to see the capital spend needed to maintain and indeed improve the retail offering." We need a diverse economy and retail is a vital part of that diversity. I see, and I am sure everyone else sees, the challenges faced by retail in the U.K., and more importantly, more worryingly I see what happens when those retail centres in the U.K. are not supported. I want St. Helier to be busy and bustling with activity, not broken and barren of shoppers. Moving forward successfully is always a compromise. In the past this Assembly has clamoured for a tax on those larger retailers but I fear now that when we finally adopted this new tax we went too far. The compromise here is to reduce from 20 per cent to 10 per cent; a compromise that I think can work for both sides. The success of the ongoing future of the St. Helier project relies on everyone playing their part and that absolutely includes retail. Let us help them to invest in jobs, invest in buildings, invest in the future of our capital and invest in the future of our economy. The challenges to the future of retail have changed and continue to change and increase. In response I intend to change my vote and I would urge Members to support this amendment.

### **1.2.18 Deputy G.J. Truscott:**

I am very pleased to follow the Deputy of St. Martin with his words and arguments. I will and am rising to support the Constable of St. Helier. I did vote for the rescindment when Senator Ozouf was in such good form and fettle when he brought this particular proposition to the Assembly, and I was pleased to vote for it then. I have been in retail for the best part of 40 years and I have seen some changes over the years, most certainly. I should make a declaration here also that 6 months ago I divested my interest in my business and sold the goodwill of my company. I have updated my records of declaration on our internet search. So I think Mike Ashley was on the radio the other day, he is the owner of Sports Direct and Newcastle United and various other things, and basically he said that the High Street is dead. This is surprising from an individual who has just gone off and invested huge amounts of money in buying interest in the House of Fraser and various other companies that are struggling on the High Street. He blamed, quite rightly, the fact that the internet has had its impact on businesses. What it is with the internet is that over the years they have driven down ... it is a race to the bottom. We are in business to make money. Margin just seems to be something that people scorn but at the end of the day if you are going to invest in your business you need to make money. The whole thing with the internet is it is so clever that they basically run, from a very small base, a very low-cost base and they are able to, through the internet, sell goods into the market at very low rates undercutting the service and the High Street offering. There is a major problem and it needs to be addressed. Mike Ashley did suggest, and it is something I am not sure is going to get traction, that these companies should be taxed at 20 per cent, so there is possibly an option there that one should look through. Moving on to yesterday's debate, the Strategic Policy. One of the main aims in the Strategic Policy is the economy and I think it was Bill Clinton originally who said: - I am sure it was him - "It is all about the economy, stupid." Because at the end of the day if we have not got a vibrant economy locally with a strong finance industry, with a good retail offering, with our fishing industries, all those things firing on all 4 cylinders we are going to have a devil of a job to deliver

what was a very good policy going forward, very strong. But we are going to struggle to deliver the things that we want to, other than by raising taxes. That was, for me yesterday, a point that was raised by a few Members but it is down to the fact ... and it was the devil in the detail. We need to know at some point next year, with regard to taxes, what is going to be on the table. I am curious whether the Council of Ministers are looking at possibly raising G.S.T. as a means to achieving what they want to. There is a big shake of the head from Senator Mézec. So, it is tough out there and I think if we are going to send out the right message to retail then it is absolutely imperative that we send out the right message and make it 10 per cent offering not 20 per cent. I think the 20 per cent is a disincentive to trade here. It is just sending out the wrong message. As I have said, businesses are in business to make money and it is something that they should not be ... people should not scorn them for it because they then employ people. It is all about investment and for me the 20 per cent just discourages that and I think really 10 per cent should be the way forward. Tipping point: I have just put that there and I am so conscious of a tipping point because in all things in life it is for our people, it is for our businesses generally. We can keep taxing, we can keep pushing and it just comes to that point where you just say: "Enough is enough" and I think that may just happen with our retail industry. You will get to that point where they are going to say: "Well, really, why are we here? We are not here just to employ people, we are not here just to pay your taxes, your G.S.T., *et cetera*, we are here to make money." Now, if that incentive goes I suspect we may lose some very good people on our High Street and that would be a tragedy, quite frankly. I was very pleased to have been the Assistant Minister with the now Minister for Treasury and Resources and I have got to compliment her on her speech this morning, I thought it was most excellent. Nobody, indeed, is getting their hands on your reserves and I think you made that quite clear. **[Laughter]** It is about tipping point and I think we have just got to send out the right message to say that we want businesses to invest in Jersey. I think that is so important, it brings jobs, it creates G.S.T., it gives our tourist industry a vibrancy on the High Street, St. Helier, and I think that also is so important. Just the last point I would like to make is that I would much prefer to be making X amount on 10 per cent based on an industry that is going forward with confidence in the future rather than taking 20 per cent on an industry that would possibly go in decline and without enthusiasm. So, I urge Members to vote with Constable Crowcroft. Thank you.

**The Bailiff:**

I call on the Connétable to reply.

**The Connétable of St. Helier:**

Thank you, Sir.

**Senator L.J. Farnham:**

No, I would wish to speak.

**The Bailiff:**

Nobody had shown a wish to speak I call on the Connétable of St. Helier.

**Senator L.J. Farnham:**

I am ready to go, thank you. You must have missed it but I ...

**The Bailiff:**

Senator, I have been looking very closely.

**Senator L.J. Farnham:**

You did not give more than one second from the end of that debate to calling the Constable, if I can be so bold.



**The Bailiff:**

If I may say so, we have 3 big debates to come as well.

**Senator L.J. Farnham:**

This is an incredibly important debate and I am the Minister with responsibility for the economy so I do ask your forbearance on this occasion.

**The Bailiff:**

That is true, that is absolutely true and I had overlooked that. Having allowed you in I shall have to allow everybody else in as well.

**1.2.19 Senator L.J. Farnham:**

I am most grateful and I will be as quick as I possibly can. I want to start by saying that the Council of Ministers is pro-business. The economy is at the heart of our Strategic Plan and notwithstanding our position on this, and there is some difference within the Council of Ministers, I do want to give my overall support to the Budget and to the Minister for Treasury and Resources. Although we are going to disagree on certain issues, and this is one of them, probably the only one I am pleased to say. But I want to start by briefly just reminding Members of some facts. Firstly, I want to talk about the vacancy rates. We are considerably lower than in the U.K. although our vacancy rates are increasing slightly. I do not necessarily support taxing empty premises, I would prefer to find a way to incentivise the filling of those premises rather than penalising the space that is available. So let us find ways to get businesses in there and work with the landlord. Retail spend in the Island is falling and footfall is also slightly down in the town centre, notwithstanding the excellent work done by the Parish, the town centre manager and the Jersey Retail Association, the Chamber and all of the stakeholders.

[12:30]

St. Helier is still vibrant. It is facing critical challenges but we are still vibrant. Jersey is vibrant and, as Senator Pallett said, we are not just talking about town centre retail we are talking about Island-wide retail. Retail needs its strong, large retail anchors. Wherever retailing is taking place you need one or 2 retail anchors to bring the business to those areas and the smaller businesses benefit from the presence of the larger retailers. That is why we must work to ensure that the retail anchors have the confidence and the money to invest, to do everything they can because they are at the centre of the success of the retail sector. I just wanted to briefly touch on the fall to Zero/Ten in 2008 or 2009, which a number of Members have mentioned, by saying businesses always used to pay corporation tax before then. But possibly that was fortunate for the retailers because at that time the world faced a catastrophic recession and I was reminding myself, and looking in the booklet, if you go back and look at the economic trends you can just see where all of our economic graphs took a sharp downward direction from 2008 onwards. I would not like to think that if we had not gone to zero corporation tax then the impact on local businesses would have been significantly higher than it was. I know we would have all preferred to avoid Zero/Ten but it happened. The world recession happened and the fact that we moved that did most definitely help our businesses to remain vibrant and viable. £720 million is spent in retail sales. There are over a thousand wholesale and retail businesses in the Island and I know this tax will apply to a small number but that is a small number of businesses. Collectively they are quite a big part of the retail economy. Eight thousand people are employed and my good friend Deputy Young - still my good friend despite his speech - did say that these figures do not show an industry that is in decline, they show a vibrant industry and I am pleased they do. But what do we want to do? Do we want to force those figures down? Do we want that £720 million to become £650 million and those 8,000 employees to become 6,000 and then say: "Oh, they need some help." So let us help them. No, we must keep those figures up there, we must keep pushing them higher for the sake of Islanders; that is in the best interest of Islanders and that is in the best

interest of our economy: £36 million is collected in Goods and Services Tax; £3.5 million in parking; and almost, I think it is about £1 million is paid in St. Helier in business rates. U.K. corporation tax is 19 per cent it is going to be reducing to 17 per cent. We always have to try and be competitive over here, and fair, and that is at the heart of all of our inward investment work and programming. The U.K. Chancellor recently announced in the Budget that because of the seriousness of trading conditions in U.K. High Streets, £1.5 billion has been put aside to help that. So they have recognised it. I think they have recognised it too late but they have recognised it and we should recognise it too. How are we recognising it? By imposing a tax. Now, I agree that that sector should pay a corporation tax on the profits of larger businesses, but as those speakers who have spoken in favour of the amendment have said, 20 per cent is starting a bit too high especially when we look at where the U.K. corporation taxes are moving. What will be the impact? The impact at first might be subtle. We could see less new stores. We will see less new stores. It is not going to be next week or next month or next year, we might see one or 2 but over the next 2, 3 or 4 years we will see a decrease in stores. That will have an impact on the numbers I read out to you earlier. So less new stores, less investment, less choice, more pressure on prices. Now, some shops have said they will put prices up. I think retailers look at the market. All good businesses will look at the market and will take into account the competitive challenges but will always push to sell their product at a price the market will bear, while offering good value and good service, because that is what you need to do. Now, more so than ever, in a business world that is more digital than ever before. Notwithstanding the challenges, one of the odd situations is the retail rents: the trend is for them to still be rising and I cannot really reconcile that. I do agree with Deputy Young there are landlords desperate to hold on to their rental income to retain the value of their balance sheets. But that is just one of the challenging issues we are going to have to look to as we work to understand the true impacts of what we are proposing. There is not going to be a £3 million shortfall because the money is hypothetical at the moment; we are all estimating what we are going to get. Do not get me wrong, I support the work of the Treasury and Tax Department, the officers there are doing excellent work in our best interest to try and maximise our revenue and I commend them for that. But it is also true, and many of us have heard these Budget speeches before where we preach prudence and we are quite right to do that, it is in our D.N.A. (Deoxyribonucleic acid); we are a prudent nation. Some are more prudent than others, which is a good thing. I am not necessarily looking at the Chief Minister but he is a case in point. That is a compliment. He is an accountant after all. But we always tend to have more money at the end of the year than we thought we would have. There will be underspends. The Minister for Treasury and Resources is shaking her head and I can feel a wager coming on because we are fortunate to be in a strong position. We have got strong reserves and we are prudent with our budget setting and long may that continue. But I do not think, if we make the decision today to support the Constable's amendment, we will necessarily see a shortfall, £3 million less coming in than we budgeted because I think we could stand to lose more than we gain. Suddenly we are all experts on retail today but I have heard no simple explanations, probably including my own, or understanding of what this means. Not, with the greatest of respect, from the retail sector because they do not really know, although they do know their businesses they are not really sure what this means. Some of them are more sure than others. The Treasury have done a good job of trying to estimate the figures but we in here do not know, we are speaking from our hearts, which is a good thing to do, and we are speaking as we should. This is a good debate but we do not know. Einstein once said: "If you cannot explain it simply then you do not understand it." The point I am trying to make here is it is dangerous for us to move to introduce taxes when we do not fully understand the implications. In addition to that, we should await the review of taxes. We are working hard with the retail sector and other businesses to produce a new retail strategy. Ironically if that retail strategy had have been ready a year or 2 back, we would have referred to that strategy before making these sorts of decisions. So we should wait for that. As I said, we may not claim to know the impacts of this but we all know that the retail sector is facing the biggest challenges it has ever had to face. So, my plea to Members is to say: "Well, look, let us introduce a tax rate at 10 per cent. Let us do the tax reviews. Let us get the retail strategy

out. Let us continue with the cost-saving exercises we are running in restructuring the public sector.” That was a manifesto promise of many of us in here that we would not support the introduction of new taxes until we were sure we were delivering the best value to the taxpayer from the public sector and that work is coming on apace. So let us do that and introduce 10 per cent and after 2 or 3 years, if the industry is still vibrant and working and we work with them and we have got a good strategy, then we can talk about how we might look to see more income from the taxpayer from the profits of very successful businesses. But let us not accelerate or make even greater the challenges, let us try and do something in line with our corporate strategic plan to support business and ultimately support the Treasury because getting too much too soon is short-termism so let us build it up slowly and sensibly. Thank you.

**The Deputy Greffier of the States (in the Chair):**

Next on the Bailiff’s list of speakers I have the Constable of St. Mary but I am also conscious of the time. Constable, do you want to make your speech now? I have got 4 Members wishing to speak in total.

**1.2.20 Connétable J. Le Bailly of St. Mary:**

I can go now, Madam, it will be very quick. This 10 per cent tax reduction is not about an extra profit this is about reinvestment. Reinvestment not only in the property occupied but also the opportunity for those large retailers to invest and sponsor our local community, which these retailers do. We are not losing £3.5 million because a lot of that profit is reinvested within Jersey to sports groups and charities. Do we want to lose that? If we do, who will fill that gap? We need reinvestment. Government does not seem to be able to provide that. These retailers are and can do that. We need to help them out in order to do that. If we do not it will be to their loss and it will be to our Island’s loss also. I will support this proposition. This needs to be done now, not reflect on it when it is too late. Thank you.

**LUNCHEON ADJOURNMENT PROPOSED**

**The Deputy Greffier of the States (in the Chair):**

The adjournment is proposed and the States adjourns until 2.15.

[12:43]

**LUNCHEON ADJOURNMENT**

[14:17]

**The Bailiff:**

Now we resume the debate on the third amendment. Connétable of St. John.

**1.2.21 Connétable C.H. Taylor of St. John:**

I am pleased to follow the Minister for Economic Development, Tourism, Sport and Culture because he said he was speaking from his heart. I would like to speak from my head so I will be brief. **[Laughter]** I would dearly love to make half a million pounds before I paid tax. I pay tax on the very first pound that I earn with my business. If I may I will just relate a story that happened this summer. My daughter was over for a wedding, she lives in the U.K., and as usual it was: “Daddy, can I please have a new dress?” So we went to a shop in town and, having been through the shop there was nothing, but she found a bra and she went to pay for the bra. I did not count the number of tills but at a guess there were certainly 6 or more tills. There was a queue of 7 or 8 people waiting at the first till where there was one girl operating it. There were 2 other young ladies behind the counter talking to each other so I moseyed down to them and said: “Excuse me, there is a queue at that till” to which they said: “Yes, well, we will help in a minute.” We went on to the second shop where I found, what I thought, was a rather nice dress. **[Laughter]** My daughter’s opinion was slightly

different and she said: “Do they have it in a different colour?” There was an assistant on the next rail arranging the dresses in different sizes. I said: “Excuse me, do you have this in a darker colour?” She said: “Oh, ask my colleague I am busy.” I am sure that what is required in both those shops is a level of training and it is not for us, as an Assembly, to be saying: “We should cut taxes to businesses” when the real issue is training for the staff. I have occasionally visited the U.K. and I have seen High Streets in towns there, very sadly, with a significant number of shops empty. Being a lover of just a small tipple occasionally I would pop into a pub and say: “How is the town doing? Why are the shops empty?” Not once was there a response that it was tax or rents, it was the business rate. Business rate in the U.K. is astronomical and that is what has killed the High Streets in the U.K. As a Government we have duties. These duties are to provide for the Island as a whole. We need to support retail, yes, but we need to support all retail, not just a small number of the very biggest retailers. To do this we, as a Government, should encourage training, we should find a way of taxing quite heavily the internet providers because I do not believe that the internet has gone on ... I do believe, I beg your pardon, that the internet has gone on far too long without paying their due to the societies in which they trade. I think also we, as a Government, should examine opening hours, particularly Sunday trading, and that is a way in which we can support businesses. We need to examine car parking, ensure that people can park their cars near to the shops in which they wish to spend their money.

**The Bailiff:**

Connétable, I certainly do not want to open this debate to Sunday trading. Can we keep it to the taxation?

**The Connétable of St. John:**

Yes, I do but it has been mentioned that this is to cause a demise of the High Street and I was just trying to address that issue. I shall, therefore, finish with really what is a very simple position: how can I on Friday look at our staff, our public employees, in the Royal Square when they strike on Friday? How can I look them in the eye and say: “We cannot support you but we will give a 50 per cent rebate on the tax income of those earning over £500,000.”? Please, think very carefully and oppose this amendment.

**1.2.22 Deputy K.F. Morel of St. Lawrence:**

We have heard this morning and into the afternoon that the High Street is dead. I am pleased to say that in Jersey we are lucky because the High Street is not dead; it is alive and it is well for now. The High Street faces incredible challenges and Jersey faces them perhaps more clearly than others, whether you look at the U.K. or elsewhere because we are such a small society. Our High Street, and let us not forget the benefits of our High Street, it supports Islanders’ everyday lives. It is where many of us go and buy our goods. It is where we buy our food. It is where we meet people. It supports tourism. Without the High Street, without King Street and Queen Street, St. Helier would not be an attractive town. Without the smaller streets coming off it, St. Helier would not be an attractive town to visit; it is that simple. The High Street supports culture, it makes St. Helier interesting. We have music as we go down there, we have people gathering, we have charities that raise money down there, we have even people doing surveys; all of that makes life in Jersey and St. Helier much more interesting. As well as we see these benefits, perhaps the most important one is that the High Street provides work; it provides work for 8,000 people in this Island. Jersey’s High Street is lucky in many ways because we are a captive audience. We were, at least until the world of the internet came along, we had to shop here. But this captive audience for only 100,000 people is a big problem for many retailers. Those who do look at Jersey and think about whether they want to invest here, for many of them 100,000 just is not enough. It is not something that will ever earn them the money that they need to make the investment in the first place. We heard in the Economic Affairs Scrutiny Panel that for many retailers if you are not £500,000 then they are not even going to look at

you. Yet, we have Islanders out there asking us to bring over discount stores, asking us to bring over retailers who will give them the goods that they need at affordable prices because, unfortunately, as much as St. Helier is all the better for having dozens and dozens of independent local stores, the really cheap prices, the really affordable goods and some of the brands, they only come in by investment from overseas and the companies looking at Jersey and thinking that it can be an attractive proposition. While this tax directly will not put prices up or down, this tax could enable investment because it is at a lower rate. But this is not really a tax on profit, it is a tax on investment. We all think in our heads when we think of a big business, we just think of that money; they have made their profit, they have paid their costs. We think of them taking that money and going home with a big bag of swag. But the truth is, that is not how profits work. Yes, some of it will go in dividends but lots of it is invested back into the business itself. It is that investment that this tax will stop and this tax at 20 per cent will make those businesses question whether Jersey is a place they want to be. Every non-local store on the High Street today, each of them that you see out there, they did their sums and they did their sums on figures that did not include a retail tax. When doing those sums they would have added up 5 or 10 years ago high rental prices, high transport costs, high storage costs, high labour costs because that is the truth of doing business in Jersey. But now we have just thrown in 20 per cent; whether you want to call it high or not we have thrown in a 20 per cent tax that was not in those sums. When these businesses wonder whether Jersey is a decent place to be, it is those sums that matter. They are not looking beyond that. If we do not add up properly on the spreadsheet, then we get cut. I think sometimes people forget in Jersey that we are incredibly vulnerable. We have had such a good quality of life for such a long time and we have attracted businesses here for such a long time that we forget they can turn and walk away very quickly. Adding arbitrary taxes on a whim is one way that we put them off. By reducing this tax to 10 per cent we will show these businesses that we understand they need certainty in order to make these investments. We will show that we understand that they need comfort, that Jersey is a solid place to do business. I have to correct Constable Taylor when he mentioned the lack of training. The retail industry over here has got together and they have got together with Highlands and they are running courses out of Highlands aimed entirely at providing training for careers in retail. Because they want people to see that retail is a career; it is much more than a Saturday job or a holiday job, it is something that can take you through your entire life. It is fascinating, it is a fascinating business. If, as described, this tax is reduced to 10 per cent, I will exhort the Minister for Treasury and Resources to stop the habit of levying charges willy-nilly and to come up with not just a review of personal taxation but a review of all taxation in this Island. The retail sector should not suffer from our need to gain little bits of extra money because we chose a way forward or had a way forward pushed on us 10 years ago. Already the retail sector suffers from 2 aspects of tax that are deeply unfair; G.S.T. *de minimis* level and now this retail tax. In fact sometimes when you look at those taxes, when you look at the fact that the *de minimis* level means that off-Island online retailers have an immediate advantage over us, plus this retail tax, you wonder why they are here at all. We live in an Island where we say proudly that tax should be broad, low, simple and fair. Unfortunately, it seems we have forgotten how to be fair and it is only by reducing this tax to 10 per cent that we will start to re-establish that balance. I urge you all to do so.

[14:30]

### **1.2.23 Senator J.A.N. Le Fondré:**

I think I am pleased to follow the last speaker because we are picking up on fairness. Before we go there, I do want to say I agree entirely with Senator Farnham. We should wait for a review of taxes, which is what he referred to, before we reduce something that has previously been agreed by this Assembly. Because then that does take us into ad hocery and changing our minds. That was an expression which involves rules but I will not do that, but the point is changing our minds from one sitting to the next to the following. What I wanted to just remind people, again - and it is all Senator Ferguson's fault - but remind people that when Zero/Ten came in one of the biggest problems was

about fairness, was the fact that a non-locally owned company was paying the zero and a locally-owned company, even though they paid zero at the corporate level, the beneficial owner paid the tax. You had Jersey-named companies, one had been sold and was owned outside the Island and paid no tax locally, and you had locally-owned businesses that continued to pay the tax but it landed on the shareholder. That was the background and that dilemma went on for years. It was Senator Ferguson who turned around and said: "For goodness sake, let us adopt, broadly speaking, what they are doing in Guernsey." In fact the system that came into Guernsey is slightly different because there was a taper relief, there was a tapering brought in, whereas I understand, and I am not referring to Guernsey terribly closely, it was a kind of cliff-edge scenario. But that was the point, it was a solution to that dilemma; that dilemma had been going on for years. I do make the point, I suspect Chamber will disagree with me on this but certainly from Treasury's point of view, what they keep saying to me is that they have been trying to get more information out of that sector to understand the implications, understand how profits are invested or not and they keep saying that nobody has been able to provide the information. Treasury will over time... because changes in the law means that increasing information will be coming through over the next series of returns and they will start garnering that information. According to Treasury, there is no actual evidence at the moment to some of the assertions that are being made because they have not been able to substantiate them. I do want to pick up - I think it was Deputy Young who made the point yesterday - you cannot keep having everything for nothing. In other words, the money has to come from somewhere. I think it was Senator Pallett who says: "We do not have an infinite budget." I agree with him there as well. We all know we have got pressures and priorities coming down the line, whether it is education, whether it is sport, whether it is culture, whether it is diversity, whether it is health, infrastructure, overseas development, environment and do we really think it is going to be that easy to find another £3 million? Again, we will focus on that later but there are tables in the Budget that show, yes, 2019 is a projected good year, the rest of the years are not. I will just keep going back to that point. In terms of the impact on retail, the table was circulated to all Members; at £550,000 a business would be paying 5.5 per cent tax. If you are earning £500,001, I believe the tax is 60p, is what I have been told. That kind of puts it into context. Yes, it tapers up quite dramatically, no question, but in other jurisdictions that taper is not there. I believe there are 1,000 retailers roughly in the Island, that is some statistic that was put out somewhere today and it is about 20 that get targeted with this tax; 75 per cent on non-local, 25 per cent on local. Again, it comes down to... we will come back to this because I think that is worth reminding Members of that comment by the Scrutiny adviser. But double taxation, which is a horribly technical expression that has been referred to, we have a direct agreement with the United Kingdom. Essentially, a U.K.-owned business that pays tax here will get an offset against their U.K. liability. Simplistically, it is neutral. The tax either lands here and they pay less tax in the U.K. or it does not land here and they pay more tax in the U.K. Where would I prefer that money to land? Answer, here. Where I am very sympathetic, and Chamber do know this and Deputy Morel would be delighted to know I do agree with him, I think the issues around the *de minimis* need to be addressed. I was with the Minister for Treasury and Resources on this. We did not get full endorsement from the Council of Ministers; why did it not come through? But I think we are very clear, we would like to revisit it because it is very clearly a matter of unfairness. Let me go back to consistency and the problem with the 10 per cent and do not forget the Zero/Ten came in and, yes, ultimately one can argue it is a political decision; it was around whole thing about offering a competitive jurisdiction for the financial services industry because of all the various comments that have previously been alluded to about what was happening then with the Code of Conduct Group and all that sort of stuff. But utilities still pay 20 per cent. Oil importers still pay 20 per cent. Developers still pay 20 per cent. At what point do we turn around and say: "They are being treated unfairly, we have got to bring them down to 10 per cent." What is the tax impact then? In other words, what are you unravelling? That we do not understand. I am informed that certain mutual co-operative businesses do still pay 20 per cent, for example, on food sales to non-members and they are perfectly happy with that, if that puts that into context. We have to bear in mind we are focusing

here but the broader picture is not as clear as people would make out. I keep going back to the point: where do Members want the tax to land? I would argue it should land in Jersey. I think really the main thing I will go back to is ... let us go back to the comments, I think the Minister for Treasury and Resources read them out some hours ago. She read the first paragraph, I want to read the 2 because it is relevant, from the tax adviser to Scrutiny Panel, and it is on page 14 of their report: "I see little merit in the proposal of the Connétable of St. Helier in relation to the retail tax. If the businesses are locally-owned, then the ultimate beneficial owner will benefit from any tax paid." That basically means if it lands in the company the shareholder pays less, if it does not land in the company it lands on the shareholder: "If beneficial owners are off-Island, then they are simply utilising Jersey's resources and taking funds off Island with no tax payable or input into the local economy. Most businesses are fully standard-rated for G.S.T., so they suffer no adverse indirect tax consequences either. It is expected that most large businesses operating in Jersey will enjoy some relief of the tax paid in Jersey and, therefore, the imposition of the retail tax is not ultimately detrimental for the large retailer. The argument that corporation tax in the U.K. is reducing could cause additional overall tax to be payable; the difference is relatively negligible." Simplistically, keeping it really simple, if you pay tax in Jersey you get an offset against your tax liability in the U.K. If you do not pay tax in Jersey you just pay more U.K. tax. I would like that to land here. Interestingly enough, what he does carry on with: "There are many aspects to retail in Jersey being in decline but one does not believe that the retail tax will have a material effect, except allowing more profits to leave the Island tax free. It should be remembered that pre-price supermarket items included U.K. V.A.T., which is generally not deducted in Jersey. It should be noted it is only certain food items that are zero-rated, not all. V.A.T. at 20 per cent is still charged on most weekly essentials: toilet rolls, washing powders, chocolate and wine." I will go for the chocolate if it is an essential, I am not too sure about wine: "Most soft drinks, *et cetera*. Therefore, one would suggest that a true price comparison is undertaken net of V.A.T. before any changes are made to the retail tax. If one had a comment it would be why the limit was set so high at £500,000 and has not been extended to more retailers." That is the view of that industry professional, a local industry professional on what happens over here. I think it just goes back to the point, it is more complicated. Do we genuinely expect to see that £3.5 million to land directly in Jersey each and every year? I will go back to the point again, I would like to see it land here, not in the U.K. I will also go back to the point, to sum up, it was what the Constable of St. John said, genuinely it is an emotional argument; we know we have problems on Friday. Can we look those individuals in the eye, and the same week, and say: "We have just given a tax break to businesses with profits of more £500,000 a year"? I think, to be honest, that is an emotional argument but I think it is a relevant argument. Mine is a little bit more unemotional, where does the tax land? I want it to land here. I do not think we should be supporting this proposition and this amendment. I am very happy to look at the anomalies that have been referred to generally, I have said this previously, which we do as part of a tax review and you do it in a coherent manner. I think we should be rejecting this amendment.

#### **1.2.24 Connétable R.A. Buchanan of St. Ouen:**

Following on from the Chief Minister, I think what I would like to do is challenge some of the assumptions being given to us on this sheet that came round this morning. The first one I would like to challenge is that Jersey has lost millions of pounds of investment in the retail sector simply because 4 large retail brands are not coming to Jersey because of the 20 per cent tax rate. I have sat in a lot of boardrooms and I have looked at a lot of investment decisions into a lot of territories. I do not have a great deal of retail experience but I do have the experience of assessing decisions where to place an investment and where to open up a business. In my experience, any sensible board considering these decisions will firstly look at market demographics, and in relation to Jersey that will look at the number of people we have in the Island, the number of economic units who have spending power, the retail taxes that are available that will absorb some of the profit on that and, generally, whether their business model fits into the demographics of Jersey. The second item that a

board is likely to consider is the local rental costs. We know that is an issue in Jersey. We know that retail rental costs are extremely high and are a big burden on business. The third factor that they like to look at is the question of shipping costs. Again, we know that Jersey has a bit of an issue there. We have a limited number of carriers and not a great deal of competition. The fourth and equally important factor that any business looking at Jersey is going to assess is the question of competition in the Island. Who else is in their sphere competing for their business? That will be a very large factor in them making a decision. The fifth factor that any business coming to Jersey is going to look at is the availability of local staff at the right cost level to come and work for them. Again, we all know that immigration is a big issue in this Island; getting staff into the Island, getting staff at the right price, finding them accommodation and retaining them. I think we have talked a lot about the taxation aspect and we have, I think, probably agreed that in most instances tax is neutral. But then any business looking at investing in the offshore islands, what are their options? They can go to Guernsey where Guernsey has retail tax. They can go to the Isle of Man, the Isle of Man has retail tax. They can go to Sark and have no power but that is perhaps a more serious point. I am not convinced that just simply the retail tax is a deterrent. I think any business looking at Jersey is going to look at a wide range of factors and the board will make a balanced decision, based on their view of how much money they can make out of the Island. If they believe that they can make £500,000 out of Jersey or maybe more, the question of how much tax they will pay on it would be a consideration but then they would look at the mitigation. I am not convinced by their first point, I am afraid. If we look at the second point, it says a large retailer in Jersey told States Members yesterday: "We slashed our trading and development budget in Jersey and divested our capital spends into other jurisdictions." My challenge to that would be, firstly, those costs are tax deductible, so they will come straight off the tax bill before tax is paid. Secondly, I cannot believe that any business in the Island is going to be so short-sighted as to just simply consider the amount of tax they are going to pay than what are vital factors. Staff training is vitally important in delivering the service to the community and we have already heard the Constable of St. John talk about some of the deficiencies that we know exist in our Island. No sensible businessman is going to stop training all their staff because it just simply does not make sense. If you are considering increasing your distribution or increasing your floor space, you are going to make a decision based on long-term factors. I have already outlined some of those long-term factors. The tax break you are going to get on it is, I would say, less relevant. Quite simply, 80 per cent of something is better than zero per cent of nothing. I have my own view why retailers are struggling in Jersey and it is because there has been a dynamic shift in retail business models.

[14:45]

Internet shopping has vastly lowered distribution costs and vastly increased buying power. They can distribute goods all over the U.K. and all over the world on a business model that local retail businesses simply cannot compete with and, in my view, they should not try and compete with it because it is not viable. For everyday goods, for example, you can buy a bar of soap on the internet for about a quarter of the price that you can buy it in Jersey, so there is no way that a retailer can compete with that. In my view, rather than lobbying us to reduce the tax, they will be better concentrating their efforts on their business model and re-engaging with the public of Jersey and offering something that offers real value, real extra value, some reason to drive us into the shops. I do not think any retailer, if they introduced that business model, would be complaining about the level of tax that they will be paying on that. I, for one, will be voting against this proposition.

**The Bailiff:**

Does any other Member wish to speak with something new to say?

**1.2.25 Senator I.J. Gorst:**

Something new to say, Sir, it has never stopped me before, as you well know.



**The Bailiff:**

Yes.

**Senator I.J. Gorst:**

Although I shall try and abide by Standing Orders, which is quite clear on that point, Sir, as you rightly directed.

**The Bailiff:**

Indeed.

**Senator I.J. Gorst:**

I would like to talk about someone I like and something I dislike. The someone I like happens to be sitting in the gallery and he is the new chief executive officer of the Chamber of Commerce. I like him for all sorts of reasons but today I think we can pay a compliment to him for the way, yet again, he has managed an excellent campaign. He did it when he was a Member of this Assembly sitting over somewhere where, I think, probably Deputy Ahier sits today. On that occasion he had a voice in the Assembly, rather than just a foot-stamping in the Assembly and he spoke very eloquently about why, in his opinion, this tax should be reduced to 10 per cent. In fact so much so that I am going to go on and say some other things and I might ask him to run a campaign on behalf of this particular sector of the economy. But I also want to talk about something that I dislike and this may come as a surprise to some Members of this Assembly or the listening public. But, unlike some of my colleagues, I dislike tax. I do not know if it is only you listening, Sir, I do not like paying my tax. I understood entirely why we move to an I.T.I.S. (Income Tax Instalment System) pay-as-you-go system but I was one of the few Islanders then that begrudged the fact that the Treasury got their fingers on my money before they absolutely needed it to spend the following year. I say that because this is what we are hearing today. We have heard it twice before in this Assembly, some large retailers, perhaps they would have something to complain about, if they had paid taxes at the same level as the personal rate of tax with the same thresholds. I understand entirely, do not like paying tax. Now I come to the campaign that I wonder if the chief executive officer might run on my behalf because if we are going to make the case that the retail tax ... **[Laughter]** May I say at least Siri is listening to me, if no one else in this Assembly is. If there is a valid case to make that the Constable made at the start of this debate, that the saviour of the High Street would be a reduction of the retail tax from 20 per cent to 10 per cent, then perhaps this is the next campaign that needs to be run. That is that the property development industry and the property income industry has to pay at 20 per cent; surely that 20 per cent is keeping rents high. Maybe there should be a campaign to reduce rental income to 10 per cent in order to act as a saviour to the King and Queen Streets, the High Street or the retail sector or maybe, as others have said, I am not a retail expert, as those listening will know, maybe it is a new online tax. We know that other communities, we see in the last United Kingdom Budget that the Chancellor of the Exchequer is looking to - not quite sure how they are going to do this - go it alone and introduce a digital or online tax. I wonder if the point about this tax being unfair because it is stopping investment in the High Street because that is what is being said. It is not the retail tax *per se*, it is not a tax on profits of over £500,000 that is really being argued about, it is about whether those businesses then have sufficient profits to reinvest and introduce other brands into the Island. But I wonder if that is slightly being overstated because those businesses know, like other businesses, that to invest in property I imagine that they are not just going to invest pounds but they are going to use a good element of debt in that investment in a new development. That debt, of course as we all know in Jersey when you have interest to pay, can be offset from tax as well; that is not possible everywhere in the world. It was Deputy Morel, I think, who said that, in effect, the reason he was going to vote for a 10 per cent rate was because he felt it was a tax on investment. I think that the fact that capital investment, property investment, property rentals, they do pay 20 per cent. I think he needs to be a little careful that he is not, in his desire to create fairness, creating an unfairness.

Others have talked about the history of how we arrived at Zero/Ten and some have suggested that if we do another corporate tax review, another income tax review, we will suddenly, at the end of the rainbow, find a solution, find a tax that raises all the money that we need to deliver the social projects that we all want to and thank heavens nobody is going to complain about it. My experience is that whenever a tax is changed, is introduced, is increased, somebody somewhere is going to complain about it. Perhaps, as I said at the start, on some occasions I have been one of those complainers. So there is not a magic tax solution to fill the States coffers as some might think and might have indicated that we can suddenly cover this £3 million from somewhere else. We will, as an amendment to this Budget, have a proposal brought forward that we can change another tax and suddenly raise all this extra money and everybody will be delighted with it. I think there is an acceptance, even in that amendment, that there will be some that are not so delighted with it but we will get on to that debate when we get there. Zero/Ten is about creating a tax-neutral platform so that those who use Jersey from a financial services perspective do not have an extra layer of tax put on those monies. The history is well known but there has been a lot of disquiet and discomfort that some of those shops up and down the High Street that were non-locally owned, because of the way that Zero/Ten was structured, did not pay any contribution towards States coffers. This is a solution that goes some way to dealing with that difficulty and, yet, what we are proposing to do now is to say that we are going to undo some of that. I think that will not be - I may not use the words that others have used - but I do not think that will be very well received by the public of this Island. Rather, as Senator Farnham himself said - although he reached a different conclusion from me - allow him to complete his retail review and bring forward his new retail strategy before making any amendment to this tax, which has only recently been introduced. In his opening comments, the Constable used the term "maladministration". I am not sure he meant maladministration so I think really he was trying to be critical of the consultation that Treasury did before the introduction of this tax. I hope he will just consider saying something about that term because the word "maladministration" as he knows - I would not ever dream to give him a lecture on language because I would come out the worse without a doubt - he knows that the inference of the term "maladministration" casts aspersions on Treasury staff in a way which I know he would not wish to do; he never has in the past. But he may rightly say things about how the consultation was carried out and how appropriate that was or not. I know that from listening to the debate today that this vote is on a knife edge. I know that the Constable will sum up extremely eloquently and be persuasive but I ask Members to consider: is there another way of dealing with the anomaly that Zero/Ten created? Senator Ferguson did not think there was; therefore, would it be right for us to undo what has been created here or at least reduce the effect and give large retailers making a profit of greater than £500,000, potentially £3 million back. I do not think it would and I ask Members to consider very carefully before they vote for this amendment. Thank you.

### **The Bailiff:**

If no other Member wishes to speak? Then I call on the Connétable to reply.

### **1.2.26 The Connétable of St. Helier:**

When I was a fresh-faced young Deputy - we have some in the Chamber now - hair on my head, it was a good colour of chocolate brown, I went on to the Planning Committee and at the time we were really concerned about the number of hotels that were leaving the industry and being converted into luxury flats. The Planning Committee came up with what we thought was a brilliant new policy to stop this happening and we simply made it impossible for large hotels to leave the industry because we said they were of such special importance we would not allow them to be converted into accommodation. We sat back and we waited to see what would happen with that policy, experts in tourism that we were. As you can imagine, as older Members will remember, there was a - well it was not quite an exodus of hotels - but there was an acceleration of hotels leaving the industry and the Planning Committee came under enormous pressure to reconsider its policy. Because of course,

if you think about it for a minute, it made it impossible for hotels to invest in new facilities because they could no longer get a loan from the bank. I am just recalling that I think one of our Members was the chief officer of the committee at the time. I am sure it was not his advice that led us down that path. It was a very poor policy, it did not stand up to scrutiny and the Planning Committee got rid of it as soon as they could. What I am offering Members today is the opportunity to get rid of a tax hike which I have argued, and will argue again, is damaging and is unfair and is not going to have the result that some Members think it will in terms of raising tax. We have had some very good speeches on both sides. One of the problems about bringing a proposition to this Assembly is that you do - I have to choose my words carefully - allow people to say things that you would rather they did not.

[15:00]

I cringed - I cringed - during some of the speeches today when I thought of successful retailers either listening to the said speech on the internet or even in the gallery upstairs. I cringed at the thought of these industry professionals being told how to run their businesses by some States Members. I am going to try and avoid them; though, the more egregious of them I may need to refer to because I think some of them were quite unfair. What about the money? A few speakers fell back on the £3 million which of course is a tiny percentage of the Island's budget. It is about the same amount that I believe the Council of Ministers is spending on a U.K. consultancy that is coming into reform. We have money to spend when we want to, let us be honest about it. This line that we have heard from some speakers: "How am I going to face the civil servants on Friday?" Well I know how I am going to face them. I am going to say: "This Government wastes money with alacrity and with abandon and if we want to pay the teachers more, we can, be sure of that." I do not believe that giving a helping hand to retailers, at a particularly difficult time for retailers, is a waste of £3 million. As one Member pointed out, I think, during the debate, we are probably going to lose more in potential G.S.T. sales by continuing down this road than it will cost us in terms of lost profits. But I am just going to go through now a couple of ... I am not going to talk about everyone who spoke but it is only fair to answer some of the specific questions. I am grateful to the Minister for Treasury and Resources for starting off and nailing her colours to the mast. The Minister for Treasury and Resources, well, certainly like the trio of ex-accountants who finished the debate ... **[Laughter]** the Minister for Treasury and Resources placed a great deal of store on a certain Mr. Shenton. I have to use his name because it was used before, and he gave some advice. He is a tax expert, he gave some advice to the Scrutiny Panel; one of the Scrutiny Panels reviewing the Budget. He suggested that for various complicated tax reasons this tax was not significant. So I have to put his advice on the one hand, on one arm of the scales, and on the other pan of the scales I put the industry professionals who looked me in the eye yesterday at the briefing, and who I have met before in their offices, and told me that they have had to cancel investment, that they have had to pare down their training programmes, they have had to pass on increased costs to consumers. I have to decide: am I more influenced by Mr. Shenton's advice to Scrutiny or by what the retailers have told me today and previously and, indeed, what they have written in their submissions to the Economic Affairs Scrutiny Panel. Not much has been made of that ongoing review but it has had tens, if not hundreds of submissions, and if Members have not seen them, they are really extremely telling. There is no question that the tax on larger retail companies' profits is an important issue in that ongoing review. It is only a shame of course the review has not finished in time for this debate, just as it is a shame that the retail strategy is not completed in time for this debate. But for me that is a reason for saying: "Well, we have not had the results of the Scrutiny Panel, we have not had the results of the ministerial review, so let us keep the tax at a level that the retail community regard as acceptable rather than keeping it at a level they do not." Surely the more cautious approach, the less risky approach, is to maintain the tax, in the spirit of Zero/Ten, at 10 per cent while these reviews of Scrutiny and the Minister himself are carried out. The Minister for Children and Housing spoke next. Now the Minister for Children and Housing is a member of Reform, and what I would say to all the Reform

candidates who spoke is, their constituents will suffer. There is no question. There is a report that has been made to Scrutiny from the largest retailer in the Island who said - and you can dispute it if you want - but he said it on the record to Scrutiny that he would have put his food prices down by 5 per cent if this review had not ... I hear Members scoffing but clearly it makes Members feel better not to believe some people but there we go. I will be arguing in the course of my summing up that consumers will suffer from this. It is all very well to talk about company profits and shareholders and this faceless entity that is going to pay this tax, whereas what most Members surely realise is that tax is paid by the consumer. It is passed down to the shopper and there is no question that keeping the tax at the higher level for the bigger players in the industry is certainly not going to put prices down. There is no chance of that, whereas if you bring it down to 10 per cent, possibly it will. The Constable of St. Peter was the first Member to say we need to tackle online sales, and he is absolutely right, but is it not a shame that nothing has come forward in this Budget to do that? There was an option of looking at the *de minimis* level. That has not been touched; that is deemed too difficult to handle. I am told that some of the largest internet companies are very well used to remitting taxes, for example, to American states where they send a huge number of boxes of stuff. They are used to states saying: "We want a tax payable on this" but Jersey has not even started that exercise yet and there is no light at the end of the tunnel. The Constable of St. Peter thought that getting a free bus would perhaps solve the problems of St. Helier. I absolutely agree; I would love a free Hoppa bus, but I do not think that is really a solution. He also, I think, missed the point that the world has changed and several speakers seemed to me to be possibly living in a bit of a time warp. The world has changed now and an increasing amount of business is being done online and we really need to react to that. I am going to next go to Senator Ferguson. I wrote down here: "I hope no one is listening." Obviously, I was, but she was one of the several Members who said that large retail businesses are, and I quote, "not contributing". Now the Constable of St. Mary knocked that on the head better than I can when he pointed out the enormous investment in the local community that is carried out by the larger stores, and I am grateful to him for that, but several Members seemed to try to demonise large retailers. Our large retailers really do play an enormous part in our community life. They support charities, they support the Women's Refuge, they support shelters for homeless people, they support Christmas lunches for the Parishes. They do a great deal and it does worry me that we are going to bite the hand that feeds us if we continue down this road. Deputy Wickenden was the first Member who spoke in support of the amendment and he rightly pointed out that we have avoided the threat of out-of-town shopping. It is a very important point and when people come to St. Helier and ask me why our town centre is so vibrant, I am always pleased to point to our planning policies which, unlike so many places, have restricted the ability of out-of-town shopping to suck the activity out of our town centre. He is absolutely right and that is certainly an advantage that retailers have when they operate here. I am grateful too to Senator Pallett who spoke extremely well about the potential loss of G.S.T. that could come from this measure and he described it as a "reckless" tax. I believe that it is reckless to pursue a course of action which was not properly consulted upon and, yes, Senator Gorst, I did not mean maladministered in the sense that anything wrong had been done in Treasury. I suppose I really meant "ill-conceived" rather than "maladministered" and I apologise for that. I am grateful to the Deputy of St. Peter for his support and to the Deputy of St. Mary who has changed his mind since the last debate. He reminded us that, according to the Council of Ministers, St. Helier is the powerhouse of Jersey's economy. So why would you do anything that risks investment in your powerhouse? He said we need the bigger boys; I will forgive him for that. I think we all know what he means. The big investors in our town centre are only going to come from the U.K. or France, they are not going to come locally. Although, I spoke in my opening speech of one local retailer who could not afford to invest in new property because of the effect of the tax, so it is not just U.K., it is also local businesses that are affected. I did promise I would restrict my comments to 3 sheets of A4 and I had to go on to a fourth one but then people do keep speaking even though you try to stop them. **[Laughter]** Yes, Deputy Southern asked why we did not see prices fall when we moved to Zero/Ten. I thought I had mentioned that. I hope he remembers there was a global recession in 2008 and

Zero/Ten probably helped our retail centre survive. I used to boast to visitors to St. Helier: “Look, we have no empty shops and everywhere else they are all closing down.” Zero/Ten really helped us then. It is a shame that the States has come along when the retail situation is, if you like, even worse and said: “Well, you survived, then let us see how you do with a 20 per cent tax.” Deputy Le Hegarat referred to the tax as ad hocery; it was an *ad hoc* measure. The Chief Minister said that what I was trying to do was ad hocery and, of course, he is wrong. The tax itself was an *ad hoc* measure. It was a finger in the wind. We did not really know what effect it would have; we certainly did not consult the industry. She raised the spectre of empty shops and a possible impact on crime levels which of course I share very much as Constable. Deputy Ash introduced us to another useful idiom, half a bar; I am very grateful to him for that. He has got a great handle on good idioms. He said, yes, we should tax internet purchases. Well of course if we were, there will be a level playing field, and I do not think we would be having this discussion at all. But the fact is we are not taxing internet purchases, so there are some people trying to run department stores. Just as an aside, a couple of Members - and this is one of the things I found most extraordinary - seemed to say we do not need our department stores and I thought: “What parallel universe are they living in?” I think they are talking about villages of 5,000 souls in the Pyrenees which do not have department stores and have free buses and are really healthy. We do not live there, we live in a community with 2 large department stores, and are we not glad that we do? One of them was founded in the Victorian period, I think by a Constable of St. Helier. So, if we are going to keep our large department stores, we need the large stores to come in. We certainly do not want to do anything, I think, which discourages them. If we could have a third department store from the U.K., I would be delighted, because around it, under its skirts, if you like, would be lots of small businesses, small retailers which will be encouraged by their presence. On another aside, one of the reasons why the Sunday trading debate is always so interesting - I am not going to go there, Sir, because you have ruled that out of order - but when we talk about Sunday trading, it is the big stores we talk about. If the big stores open, then town will open. If Sunday trading remains as it is, restricted to smaller stores, then we have not really got Sunday trading, so the big stores are absolutely vital in maintaining our retail economy. I was grateful to hear from 2 Members who are retailers, or were retailers: the Constable of St. Brelade and Deputy Truscott. You can tell when you have somebody who knows the subject, speaking on something in the Assembly, as you could yesterday with Deputy Ward, a teacher, speaking about education. You know that they get the subject. The Constable of St. Brelade and Deputy Truscott both understand that this is a risky business. The Constable of St. Brelade used the word “risk” 3 times, and he said we were naïve if we thought this measure would not have an effect. I thought “naïve” was quite a polite word for it. Deputy Truscott talked about a tipping point and my own view is that we have arrived at that tipping point and we do not want to go any further because, as I said, I think, at the beginning, we have a large retailer that for probably 10 years was trying out new brands. I do not need to say who it is because Members know who it is. But empty shops in the town centre will be picked up by this retailer, a new brand would come in, and if it did not work it would close, and if it worked it is still open today and we need that investment. We know that that retailer - at least, I know that retailer - has recently sent business elsewhere. Now I am very grateful to you, Sir, for allowing the Minister for Economic Development, Tourism, Sport and Culture to speak because it was a really excellent speech. He said, and I absolutely agree with him, it is dangerous to introduce taxes when we do not fully understand their effects. I could not put it better myself. I am grateful to Deputy Morel, chairman of the Scrutiny Panel who is undertaking a review into the health of our retailer sector, but after that I am afraid it descended into... we had 3 accountants talking to us. We had an Orwellian speech from the Chief Minister.

[15:15]

He managed to speak in support of an unfair tax by calling it “fairness”. “Fairness” was his key word. Believe me, I know about fairness, it is the main reason why I bring propositions to this Assembly when I find things that are unfair. This is an unfair tax because it is only imposed on one

sector of the business community. So, extend it to the other people, extend it to the cleaning company which is listed as one of the 100 best U.K. companies. Extend it to the large drinks retailers over here, the pub chains, the hotel chains. Extend it to them. If you need it to be 20 per cent, well, good luck to you, but do not just hit the retailers, which is what is happening. We had a bit more tax advice from the last 3 speakers, so I saw people's eyes glazing over; I am glad it was not just my own eyes. Just a few final words, I want to talk about the Reform Party because they think they are helping consumers by voting against this because these U.K. large retailers are the villains, if you like, that need to be taxed more harshly. But the fact is that prices are lower when retailers have to compete; 20 per cent is harming investment, it reduces competition and that risks a rise in prices, so we can both play economists. Reform Party think that this is a good tax; I think this tax will affect consumers. Interestingly, when Senator Ozouf brought this matter to the rescindment in April, most of the debate focused on the effect on the least well-off and on the cost of the household budget. That has not been talked about so much today but I still think it is relevant. In the course of this debate, no one has challenged my statement that the tax was wrongly imposed without due consultation. No one has defended the unfairness of applying a tax to just one type of company and, indeed, in the area of food retail, on some food retailers but not others. Some speakers have disputed the extent of the damage but no one has claimed that this tax, or maintaining it at 20 per cent, will help retail in what is an incredibly difficult time for the High Street. I ask Members to imagine for a moment that Treasury proposed a 20 per cent tax on the most profitable operators in the finance industry. There will be an outcry. Indeed, the proposer - it would not be me - will be laughed out of the Chamber as the idea would be seen as chopping the head off the goose that lays the golden eggs for the Island. Now, the High Street is not on its knees yet but this tax can be seen as the last nail in the coffin and making it so much easier for the online giants to kill it off. Does this new fresh-thinking Assembly really want a lasting legacy that it was the very Assembly that helped hammer that nail into the coffin of the retail industry as politicians of the future walk to the States Chamber through a town centre filled with coffee shops, charity shops and abandoned large retail stores? Or does it want to be remembered for bravely reversing a decision which prevented a vital industry in terms of its G.S.T. take, its employment, the vibrancy of the town, which we call the powerhouse of the economy, from falling on to its knees? I maintain the amendment and ask for the appel.

### The Bailiff:

The appel is called for. I invite Members to return to their seats. The vote is on the third amendment of the Connétable of St. Helier, and I ask the Greffier to open the voting.

<b>POUR: 21</b>		<b>CONTRE: 25</b>		<b>ABSTAIN: 0</b>
Senator L.J. Farnham		Senator I.J. Gorst		
Senator K.L. Moore		Senator S.C. Ferguson		
Senator S.W. Pallett		Senator J.A.N. Le Fondré		
Connétable of St. Helier		Senator T.A. Vallois		
Connétable of St. Saviour		Senator S.Y. Mézec		
Connétable of St. Brelade		Connétable of St. Lawrence		
Connétable of Trinity		Connétable of Grouville		
Connétable of St. Mary		Connétable of St. John		
Connétable of St. Martin		Connétable of St. Peter		
Deputy J.A. Martin (H)		Connétable of St. Ouen		
Deputy of St. Martin		Deputy G.P. Southern (H)		
Deputy S.M. Wickenden (H)		Deputy of Grouville		
Deputy of St. Mary		Deputy K.C. Lewis (S)		
Deputy G.J. Truscott (B)		Deputy M. Tadier (B)		
Deputy K.F. Morel (L)		Deputy M.R. Higgins (H)		
Deputy of St. Peter		Deputy J.M. Maçon (S)		
Deputy of St. John		Deputy S.J. Pinel (C)		

Deputy M.R. Le Hegarat (H)		Deputy of St. Ouen		
Deputy S.M. Ahier (H)		Deputy L.M.C. Doublet (S)		
Deputy J.H. Perchard (S)		Deputy J.H. Young (B)		
Deputy K.G. Pamplin (S)		Deputy L.B. Ash (C)		
		Deputy G.C.U. Guida (L)		
		Deputy of Trinity		
		Deputy R.J. Ward (H)		
		Deputy C.S. Alves (H)		

**Deputy M. Tadier:**

Just for the record, we are called the Reform Jersey Party. [Laughter]

**The Bailiff:**

We are not needing to take amendment number 4 because the Minister has included amendment number 4 in her proposition. We now come to amendment number 5 but, chairman, I understand you wish to withdraw it?

**Senator K.L. Moore:**

Yes, sadly, the Corporate Services Scrutiny Panel, after some interaction with the Treasury team... we are grateful to the team for their comments; it is a shame and perhaps this is a good example of some of the wrinkles that could be ironed-out in our system. If there had been a little more time, we may have been able to amend our amendment but it has become very clear to us as a panel that there was an unintended consequence in the amendment that we were bringing, albeit they were the very best of intentions. So, we do agree with the Minister for Treasury and Resources' comment that it would be incorrect to increase stamp duty in the very area where we are trying to minimise costs and encourage movement. Our intention had been to respond to the submissions that we had received as a part of our review that indicated that, albeit we could try to improve stamp duty and encourage people to buy and sell and transact properties, but there was very little supply in the given market. The intention behind our amendment was to encourage some supply, albeit probably in a small way. However, we do sense that more work needs to be done and, as a panel, we look forward to working with the Treasury team in the future to find a good way forward. I apologise to any Members who might have prepared a speech for the debate which will now not occur. Thank you.

**Deputy S.J. Pinel:**

Can I thank the chairman of the Corporate Services Scrutiny Panel and say that, yes, we are very much looking forward to working together in the future and thank you?

**1.3 Draft Budget Statement 2019 (P.114/2018): sixth amendment (P.114/2018 Amd.(6))**

**The Bailiff:**

We come to amendment number 6 lodged by Deputy Wickenden and I ask the Greffier to read the amendment.

**The Deputy Greffier of the States:**

Page 2, paragraph (a) at the end of paragraph (a), insert the words “except that impôts levels for (i) spirits, (ii) wine, (iii) cider, and (iv) beer are unchanged, reducing estimated income by £743,000”.

**1.3.1 Deputy S.M. Wickenden:**

I, like many Islanders, are tired of being seen as an open wallet by Government as a way to raise revenue with little or no evidence or justification. Health arguments have regularly been used in the

past and, as we see again, they are being used to justify the rises in alcohol duty proposed in this Budget. Using the Health Department as an excuse to raise levels of duty on alcohol is not acceptable. It is an old hobbyhorse. Direct experience of attitudes to alcohol abuse are that those that drink alcohol normally and moderately are sensitive to the price of alcohol. They are sensible about how they buy alcohol, spend their disposable income in the local hospitality industry, and have budgets for their entertainment and enjoyment. I am going to go to a quote from former Deputy Guy de Faye from 2004, and I will show you how relevant it is today to see that the problem has not been solved or looked at properly in 14 years: "Those that have problems with alcohol, drink to excess or dangerous levels and are a cost to the Health Department, do not care about the price of alcohol. They are insensitive to the cost of alcohol. Alcohol abuse and drinking to dangerous levels is largely a sad hidden affliction. It carries on behind closed doors. The unfortunates that are seen most often in parks adjacent to the hospital are but a small representation of alcohol abuse in Jersey. People that drink strong lager and wine at 7.00 a.m. in the morning are not doing it for pleasure. They are ill and are doing it because they are slowly dying. If the price of alcohol goes up, they will still drink excessively and will find the means to fuel their habit, similar to any drug addiction." That was from 2004 and it is pertinent very much to today. So we are charging a price on alcohol for the health reasons but we are doing nothing with that money to affect the actual problem. It is just a nice way of making money. Over 70 per cent of police incidents right now regarding alcohol happens within domestic properties. By raising the prices as we are, we are pushing the problem to domestic properties where it is harder to monitor and police where there are no measures or anyone to step in when someone is drinking to excess. So by raising these prices so much, we are pushing the problem further away and ignoring it. The attempt to reduce the *per capita* consumption of alcohol within the Island by simply raising the price of alcoholic drinks is not a strategy that will have any significant impact on the minority of the local population who will suffer, either directly or indirectly, from the well-documented problems associated with alcoholism. It is a blanket approach that fails completely to target those with the greatest problem. A determination to steadily price alcohol out of the consumer market will unfairly penalise the thousands of local drinkers who take a responsible approach to drinking. For the majority of people who drink alcohol, it is a pleasant adjunct to a wide range of recreational activities. The examples are extensive, ranging from the working person buying a pint in the pub after a day's work, to the couple or a family enjoying a bottle of wine at a restaurant with their meal, or maybe an outdoor picnic or a domestic dinner. There are simply no serious grounds nor evidence for introducing a health-based policy that will hit these alcohol consumer groups financially. I was very happy to read the Corporate Services Scrutiny Panel's report, the *Draft Budget 2018 Interim Report* that was lodged by the now Chief Minister but then was the chairman of the Corporate Services Scrutiny Panel, alongside Deputy Lewis, the Constable of St. John and Senator Ferguson. It said in its findings from the last Budget: "There is a lack of clear statistical evidence showing the impact that rises in impôts duties have on consumption of alcohol" and: "None of the evidence presented by Treasury is based on actual experience or research conducted in Jersey." Year on year, the Treasury have failed to provide any evidence to back up the claims that raising the price of alcohol has an effect on consumption. I, seeing that there was a lack of evidence, decided I would go through 12 years of financial accounts and reports, budgets and Customs and Immigration Service annual reports statistics to see if I could find a direct correlation in Jersey between the increase in price and the reduction in consumption which you will find in my report in Appendix A. I could not find any direct correlation. When you put up the price of something by 5 per cent, there was not a clear correlation. In fact, in some places you saw the exact opposite. Over the last 10 years, on spirits alone - just the last 10 years - we have increased the price of duty on spirits by £7.11. But in 2016/2017, we are seeing the highest levels of consumption of spirits, so for the highest amount of increase in duty it has not reduced the consumption; in fact, it is going up for spirits. It clearly shows that there is no correlation between price and consumption, it is more about trends. Many of the reductions and increases in revenue, import volumes and retail prices could have many other reasons for the changes, such as reduction in our tourism industry, global markets and economic



downturns and introductions of new products to the market. There are things like for fuel; cars are more fuel efficient right now which is why we will see a reduction. There is the invention of “vaping” e-cigarettes that could have an effect on smoking. On page 9 of the Minister’s Foreword to this Budget she writes: “Jersey has traditionally taxed alcohol, tobacco and road fuel largely for revenue-raising purposes.” I just cannot match that up with other Budgets.

[15:30]

In 2017 it was written: “We are proposing a number of increases to duties for the coming year, all of which signal this Government’s ongoing commitment to health.” In 2016, the same, 2015, the same, 2014, the same and 2013, the same. The statement that Governments have been doing this just to raise revenue and now we are doing it for health, does not sit alongside all of the statements in previous years’ Budgets. I would like to address the comments that were given by the Council of Ministers that said to accept my proposal would reduce the amount of money in estimated income by £740,000. Then I went and looked back to my colleague Deputy Russell Labey’s proposition to reduce alcohol duty in the 2017 Budget and looked for the comments from the Treasury there who said pretty much exactly the same. It said: “There are 2 parts to the Deputy’s amendment: one part restricts the increase in alcohol impôts duties to 1.5 per cent, decreasing the States revenue by an estimated £690,000.” Well he won that proposition, so we went down to the level that the Deputy argued. Again, if you go to Appendix D on my report, I have put all of the estimated and actuals for year on year on the impôts duties. If we get to 2017, you will see that we got £1.286 million more revenue. So, the argument that this would do a decrease does not stack up. In fact, when you look across all of the years that I have done the estimated and actuals, you will find they never match up. It is not an exact science. It never has been for 10 years and it looks like we are trying to do the same thing over and over again and expect a different result. We are not seen to be expecting a reduction in consumption based on the percentage that we put things up. We are not seeing the revenue that is estimated. So I do not accept the argument from Treasury that this would cause a reduction in funds because it has not been proven yet. I was going to take another part of my speech out of the Reform Jersey speechwriters’ guide and say, well, this is a regressive tax. It is a regressive tax which affects the poorest of our community harder than anyone else. There have been multiple debates regarding the annual increase in impôts during the yearly budgets. Many times the argument has been made that the Treasury and Health Departments need to do a full and proper review into the effects of price and consumption but to date that review has not happened. In my comments it said there will be no need and no point in doing the review. I am asking that we hold off on increases in duty on alcohol in 2019 while a full assessment is made in how prices affects drinking habits in Jersey. With that, I propose my proposition.

#### **The Bailiff:**

Is the amendment seconded? **[Seconded]** I call on the Minister for Treasury and Resources.

#### **1.3.2 Deputy S.J. Pinel:**

Alcohol duties serve 2 very important functions for the States. They represent a vital source of exchequer revenue for funding public services and they also form a key strand of the Government’s health policy, having the important influence on consumer choice. My colleague, the Minister for Health and Social Services, will address the role that alcohol duty plays in determining health strategy and I will focus on the financial aspects of the duty. In the lead-up to the Budget, I met with a number of industry representatives to discuss the range of drinks duties. During these discussions, I was asked to be mindful of the pressure that some consumers are facing and to consider an increase in alcohol impôts below the rate of inflation. I am sensitive to these pressures and listened to the representations made. I therefore made the proposal in the Budget to raise impôts duties on alcohol by 3.5 per cent which is the rate of increase in average earnings rather than the higher 4.5 per cent rate of inflation. At this rate of increase, the level of alcohol impôts will be falling in real terms that

I and the Council of Ministers felt that this was the appropriate balance to strike on the matter. However, Deputy Wickenden's amendment is proposing that alcohol impôts would be completely frozen in 2019 at the 2018 level which would reduce States revenues in 2019 by £740,000. Not only will this impact 2019 revenues but it will also permanently reduce the future impôts base and we estimate that over 5 years. This could cost the States up to approximately £4 million. The Deputy has put forward no corresponding adjustment to fund the large shortfall in revenues that would result. I fully appreciate that alcohol can be expensive for consumers on the Island; however, it is not just the level of impôts duties that is pushing up prices. The price before duty and tax is high in Jersey relative to other places. Take an average bottle of whisky. The pre-tax price in Jersey is twice that of the U.K. and this is what is significantly driving up the cost for consumers. The same applies to a pint of beer and to other alcohol products. It is a clearly-established fact that price affects supply and demand. Jersey is no different from any other jurisdiction when it comes to the laws of economics. It is important to maintain alcohol impôts levels year on year to manage and to fund the health challenges that my ministerial colleague will outline. It is also important that alcohol products are priced in a way that both discourages antisocial behaviour and raises the necessary funds to deal with the one in 6 of all recorded crimes that involve alcohol. For all of these important reasons, I strongly oppose this amendment by Deputy Wickenden which would create a significant and ongoing year-on-year reduction in States revenues and would directly conflict with the Government's overall health strategy. Thank you.

### **1.3.3 Deputy M. Tadier:**

I did have to give some serious consideration as to what my personal position would be on this amendment by Deputy Wickenden. I think in the past, I am not sure how I voted; I may have supported votes to freeze duties. I have tried to do that on a case-by-case basis; it is not something that I necessarily ideologically oppose. But the reason that I have come to the conclusion that I want to support what the Deputy is trying to do is quite frankly ... and sometimes if you have ever sat there listening to a debate and thinking about what you are saying, trying to think how it might be really difficult for what you are about to say to be put into parliamentary language because I know what I would say to people if I was talking to them outside this Assembly. So I will try and keep it parliamentary, is that I am getting completely fed up of the rationale that is being put forward to justify some of these increases in taxation, whether they are existing ones like the impôts duty which are well established, or new ones that are being put forward and have been put forward previously. I would much prefer it, and I think the public would - that is the message I get - if there was a lot more honesty in the way it was conveyed or the perception from the public is that policymakers are not being honest. It is coming back to this health argument. Now I do not deny that alcohol is a serious drain on our health resources, and it is also paid for, I suspect, quite adequately. It would be really good at some point to have a cost-benefit analysis, what it costs and what we take in terms of impôts, including on tobacco, incidentally, which is going up far beyond inflation, and what is spent on those services used by those people who possibly die younger who do not necessarily end up being a drain on our resources. We can talk about those issues if we want to but, frankly, I am getting tired and I think it is complete bunkum, if I am allowed to use "bunkum". I looked up the word that I definitely would not use [**Laughter**] and that came up as one of a less colourful synonym.

### **The Bailiff:**

It is I think the first time that word has been allowed in this Chamber, Deputy, but it seems to have gone down well.

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

Thank you. [**Laughter**] So we know bunkum is okay; we will settle with that. I will probably use stronger language at the pub later with Deputy Wickenden. So that is the issue. If this Government or previous Governments had been serious about tackling the health issue, then I might be able to go

along with this. So I think to a certain extent, the increases in duty that have gone up with tobacco, they seem to be successful. It is difficult to ... and we should steer away from correlating cause and effect because we know that correlation does not always imply causation. I think what we have seen around tobacco is a whole strategy around the banning of any advertising for tobacco. They have now been put behind a long campaign to inform people of the negative aspects of smoking and I think people genuinely realise that. Why would you smoke apart from the fact that it is very addictive; that is another issue we are not here to talk about. So some of that argument is relevant to alcohol and alcoholism in Jersey. So if the Government had pursued the health arguments and the health policies that they should have been doing perhaps a decade ago, if they had introduced the minimum unit price on alcohol or if they had tackled some of the advertising issues. If you go down to Jersey Bowl, you will not see any tobacco advertising because that was banned years ago. You will not see any tobacco advertising in the car parks. But at Jersey Bowl, you will be able to go down there with your young kids, probably from the age of 5 or 10, it might be of interest to those who are looking at young people's policies in the Island, and you can go there bowling and there will be some adverts there advertising strong lagers alongside Coca-Cola and all the other soft drinks that you can buy, and that is considered perfectly normal in this day and age. So we have a Government that predicates its increase in impôts on the fact that we are doing it at least partly for health reasons but completely oblivious to the fact that everywhere else children are absorbing the fact that alcohol consumption is not only not bad for you but that it is a social norm. I think that is the difference with it. I think there is the argument that having a quiet drink in a pub with your friends is a socially good thing. There are probably health benefits to that and if you do it moderately, that can be a very good way to de-stress. I think the last time I spoke on this I had some props and I held up a bottle of wine and a 4-pack of beer that I had just got from the shop, and that is going to continue. You can always go to the retail sector and pick up these products for virtually - I am not going to say cost price - but they do have loss-leaders in lots of supermarkets to get people in. So it does mean that the increments are going to go up yet again across the board but big retailers have a way of absorbing that cost in impôts, whereas the pubs will necessarily pass that cost on to the consumers, as the Constable of St. Helier said in his speech. If you put the taxes up and the impôts up, then prices will go up, certainly in the pubs, but if you freeze them certainly there is a possibility that they will come down or stay the same. At least it gives them no argument for putting prices up. So if we go out in the next year and find that the pubs have put their prices up on alcohol, then we can turn around and say to them: "Well, that is your doing, it is not our fault. You have had no reason to do that because of our actions." So I do want to hear from the Minister for Health and Social Services as to where this minimum unit of alcohol is coming from. Why is it we allow supermarkets to sell alcohol? Should they have the automatic right to be able to sell alcohol if it is such a socially-harmful product? Should it not be in selective liquor stores where you have to go maybe at certain times of the day to prove you are ... with I.D. (identification) as you do in certain parts of the world. Why is it that you can rock up to a shop at 8.00 a.m. in the morning and fill your trolley up with as much strong alcohol as you want to and take it straight home and drink it but you cannot go to a shop at 10.05 p.m. in the evening after you have finished your long shift and you just want to grab a can of beer and sit down and watch some T.V. (television) to watch the daily politics or Match of the Day, whatever floats your boat. It seems entirely perverse. The reason for that is because the Government does not have an alcohol strategy when it comes to healthcare because the 2 are disjointed. So the arguments about healthcare are completely invalid and until they have provided me, who keeps on hearing this argument time and time again, I am not going to support any further increases on impôts. I have come across quite a few addicts in this Island and I think everybody possibly has their vices and ways to get around; we all have things that we do to de-stress. I am somebody who does like to go for a drink after work sometimes and I think that is a perfectly - within moderation - these things are all reasonable.

[15:45]

But I know people out there who will spend every penny they have got on their addictions, whether it is over-the-counter medication that they can get, whether it is prescription medication that they find on the street, whether it is alcohol, whether it is fizzy drinks. I have come to learn that there is a great addiction to caffeine drinks, to Coca-Cola, to high-content sugary drinks, and all sorts. People will spend every penny they have got before they think about necessarily what kind of food they are eating or what conditions they are living in at home. So I think there is definitely a potential for this being a regressive tax. I am not going to go down the whole route of why we have impôts or where they came from, *et cetera*, but it seems to me that this is not one of the most progressive forms of taxation; it is regressive, as the Deputy has said. I think I am going to leave it there. Just to say, though, we get these statistics saying that one in 6 crimes involve alcohol. Is that all? So 5 in 6 crimes that are committed - and we are talking about crimes here, presumably, not just offences - 5 in 6 crimes do not involve alcohol, yet we are quoting that as a reason for ... that is remarkably low. I think it has been said that a lot of crimes that involve alcohol probably happen in the home or they are domestic issues. So when you have drinking in a controlled atmosphere in town which is very well covered by C.C.T.V. (closed circuit television) I have learnt from one of my Scrutiny reviews, then that is fine, it can be dealt with. It is not necessarily a nice thing and we do need to tackle alcoholism in Jersey but I am going to leave the point there. I have not heard enough to be convinced that we can continue to increase this year on year. Others may disagree, they may have counterpoints, but that is the risk you take when you go early.

#### **1.3.4 Deputy R.J. Renouf of St. Ouen:**

I believe the basis for Deputy Wickenden's amendment is flawed and goes against what the Council of Ministers is seeking to achieve in improving Islanders' well-being and mental and physical health. But let us be clear, impôts duty is not primarily a health measure. It is a means of raising tax, is it not; a means of funding public good? It has, by a side wind, health benefits and I hope to be able to explain to the Assembly how it helps in combatting a condition or a societal practice which has a very great impact on our community. So yesterday we unanimously passed our Common Strategic Policy with an intention to create the conditions which over the long term will reduce the most common diseases and preventable death, supporting Islanders to live healthier, active and longer lives. That is where control and a measure on how alcohol is sold and used contributes to those conditions which should prevent ultimately death. So Deputy Wickenden in the report to his proposition has quoted a finding from the Corporate Services Scrutiny Panel. It was a finding made 2 years ago when the panel was reporting on the 2017 Budget, and at that time the panel was saying there is a lack of clear statistical evidence showing the impact that rises in impôts duties have on consumption of alcohol and tobacco. Yes, there was a lack of clear statistical evidence in Jersey. There are no figures that our Statistics Unit have kept over the years which directly show a link between a rise in impôts duty and the consumption of alcohol in the Island. But what that call was in the Scrutiny Panel's report on the 2017 Budget, it was calling upon the Minister for Treasury and Resources to bring more evidence as to the health benefits. The Minister for Treasury and Resources did so and came back to the panel for the next year's Budget, the 2018 Budget, and the findings there are really very relevant but have not yet been mentioned by Deputy Wickenden. So, when the Scrutiny Panel reported on the 2018 Budget, a year ago now, they summarised their findings as follows: "There is clearly a significant weight of evidence linking alcohol tax increases and health benefits. Much of this is based on evidence in the United States of America and none of it is based directly on experience in Jersey. Guidance issued by some of the largest international policy forums also points to tax measures as one of the levers to reducing alcohol and tobacco consumption and misuse." The reason why the Corporate Services Scrutiny Panel were able to change their findings over a period of one year would be because the Minister for Treasury and Resources had come back to them, and a year ago was presenting evidence to the panel in support of the link between impôts duties and health benefits. So, as with tobacco, the evidence-based pricing measures remain the most powerful tool that we have to reduce the harm from alcohol. They are recommended by large

internationally-recognised organisations and policy forums such as the World Health Organisation and O.E.C.D. and all of this is put forward as evidence in the Scrutiny Panel report of a year ago. This approach was considered particularly important where communities such as us in Jersey have high levels of alcohol consumption and associated harm. So, it appears, and having read the report, that the evidence for the impact of alcohol pricing, alongside its availability within the population, is extremely robust. There is a large body of what researchers consider gold standard evidence across a range of contexts across the world. This is unsurprising, surely, because the price of any service or product is strongly linked to its consumption. Prevention strategies to reduce the impact of alcohol related harm have been well researched; some proving to be less effective such as public education campaigns, very long term I think, but some proving much more reliable in bringing about behaviour change. The evidence for the impact of the price of alcohol is extremely robust. So much of this evidence comes from international sources. Can it be said that it does not apply to us in Jersey? Are we somehow different? Would we buck the trend and little Jersey not follow the evidence from around the world? There are large numbers of countries where this methodology has been carried out and the findings are repeated across different cultures, so why can we not be confident that the same would be relevant in Jersey. As to who is producing this evidence, well it is well-regarded policy bodies such as the World Health Organisation and the O.E.C.D. who recommend that all jurisdictions bring forward policies that increase price as a deterrent to increasing population consumption and increasing risks to health and social damage. So to summarise that position, I would argue that policies are well-regarded as key influences on consumer behaviour, and we have strong evidence that alcohol is no different. We have no reason to believe that Jersey should be any different. So is it important to reduce consumption but in Jersey unfortunately we have some of the highest levels of alcohol consumption in Europe; 9 out of 10 people do consume alcohol but it is the case that roughly a quarter of those do so at a hazardous or harmful level. Those are local statistics. That indicates that consumption of alcohol will cause - and indeed is already causing - physical and mental health harm. Insofar as concerns hospital admissions, when compared to U.K. statistics we have a high rate of admissions which are specifically down to alcohol: 747 per 100,000 compared to 583 per 100,000 in England. It is said that one in 6 crimes are linked to alcohol. Deputy Tadier does not think that is at all significant. Imagine if we could reduce crime by one in 6, 18 per cent or so, if the alcohol problem was not associated with that act. But much of this takes place behind closed doors including domestic violence, child abuse and neglect. It is the case that health professionals who come to Jersey are often shocked at the alcohol-related harm they see here, until colleagues point out to them that in fact it is the Jersey norm. But is it right? Can we afford for this to be the norm in Jersey anymore? Our children and our young people thank goodness are reporting drinking less and less, and we owe it to future generations to ensure that we move away from a culture which relies upon and promotes the harmful consumption of alcohol. There are dependent drinkers and they are a separate group from those who regularly consume alcohol at hazardous and harmful levels; and it is probably the case that they are less price sensitive. Those dependent drinkers require specialist services such as that provided by the Alcohol and Drug Service of Health and the Alcohol Pathway Team. But that group is unfortunately the tip of an iceberg on what I think we all understand is a large-scale population issue. So harmful consumption of alcohol is not just reflected in behaviour we might see in St. Helier late at night or in some of the parks; there is a much more subtle impact: the increased risks of high blood pressure, cancers, cardiovascular disease, stroke and a long list of other conditions that might also be mitigated if consumption was reduced. The healthcare costs in dealing with those conditions are projected to exponentially increase locally if we continue to imbibe alcohol at unsustainable levels. Alcohol consumption is one of the key causes of preventable disease in Jersey and, therefore, it is a key consideration in our Common Strategic Policy to improve well-being and mental and physical health. We can justify alcohol taxation on the basis of the harm alcohol causes to our wider society, as well as the impact on the consumer. In economic terms we cannot just leave market forces to determine whether this product should be available and at what price with such harm to our community. That is why it is right for Governments to intervene and try and regulate

the prices and ensure that measures - of which taxation is one - are proportionate to the level of harm, in some way to try to recover the cost to individuals and wider society and discourage harmful consumption levels. We will never be able to say that the drinking habits of 1,000 people cause X amount of cost to the hospital service, but it is very clear that costs there are, substantially, to all parts of our society. So we must be mindful of the benefits of offsetting those costs and the various consequences and impacts on Islanders. From an economic perspective we must ensure that the taxation levels reflect the impact tobacco and alcohol have on our population and the cost to society. I ask Members not to be swayed by comments that we have not conducted research, we have not put in place sufficient measures such as the minimum pricing units; Members who were here in the last term know the difficulty this Assembly had in introducing an alcohol licensing strategy, which is yet to come forward. There might well be measures in that which would help reduce and mitigate consumption.

[16:00]

As to minimum pricing levels, Scotland have just begun that experiment to see whether that has an effect on their very substantial problems up there, and we in the Health Department will be very closely looking at the results of what is happening in Scotland. Therefore, I urge Members to reject this amendment and keep the current level of alcohol affordability the same through this proposed increase. I thank Members.

### **1.3.5 Deputy L.B.E. Ash:**

This is a slightly awkward moment because I am speaking against my own Minister. I am not sure if this is a first but I have cleared it with her and I cleared it with the Council of Ministers. Before I do so I would like to thank the Minister and the Council of Ministers for managing to get the rise in alcohol prices below the cost of inflation. This is the first time in 20-odd years that has happened and it is definitely a step in the right direction. There were people from a health angle who were looking for similar rises that we have seen with tobacco, so I think you can see that where we got it was quite a decent step in the right direction. Why am I backing Deputy Wickenden here? There was a wonderful sketch I was watching on the television the other day, "Only Fools and Horses", and Derek Trotter goes up west, he is in a bar, orders a drink, the barman tells him how much it is and he said: "Where I am from it is half that" and the barman goes: "Where is sir from, Jersey?" It would be the other way around now I think. When I put out my manifesto I had several things, they were various, but one of those I had was concerning alcohol and I said it is now more expensive to drink in Jersey than in many parts of London. I then put: "Your money, your round, your vote." I got a lovely email back from someone which shows that not everybody is just rolling around drunk as some people would like to portray, he put: "Dear Mr. Ash. Thank you very much indeed for your pamphlet. My 2 children are back from university this weekend and I was hoping to take them down to the pub for a drink, but at £20 odd a round and myself paying I do not think it is going to be a very long evening." Then in capital letters: "WE WILL VOTE." So that is why I am having to oppose the Minister. I would also like to say that I think we have seen a very, very great and honest moment in this Chamber today and I think it is a refreshing thing from politicians and I hope the *J.E.P. (Jersey Evening Post)* report it. We saw it from the Treasurer herself and the Minister for Health and Social Services where they said this is not just about health, this is about raising money. I think that was a very honest thing for them both to say. In the past we have sheltered behind: "It is all about health, there is nothing we can do about this." Well, it is not. I think it is an obvious fact it is not all about health; if it was all about health gym memberships would be tax deductible, we would have taxes on sweets because they cause health decay, fatty foods would be taxed. So it is not all about health, so I am very glad that we have cleared that up. Yes, there is a health element to it but it is not all about health. One other thing I would like to touch on before I close is that a lot of people say: "How come you are going to carry on with the cigarette tax, you are happy with that, but you are not happy with drink?" Well, someone pointed out to me the other day - it was my son - and I had not considered

this but it is a worthwhile fact; if you are a reasonably heavy smoker you smoke 20 cigarettes a day. That costs you approximately £10. If you are a reasonably heavy drinker - and it is all subjective - you drink 4 pints a day. It costs you £18. So drinking is nearly double the price of cigarette smoking, so that is one reason that I think cigarette taxes have gone up. Can I just also say in closing that drinkers have borne a heavy tax burden for too long and I urge you to support this amendment?

### **1.3.6 Deputy J.M. Maçon of St. Saviour:**

In my time in this Assembly this has been a perennial debate that raises its head every so often. To be fair, I have not spoken to my Minister for Health and Social Services so whether I will survive at the end of this will be an interesting situation. Because whenever it has come to the impôt duties on alcohol, if you look at my record I have never supported the increase when it has come to a vote I do not believe, and the reason for this is Members will recall - I think it was Deputy Power so it would have been in my second term - brought a proposition very much like this if not exactly like this, to do away with the impôt duties on alcohol. It was a very long debate and all the issues were put out on the table, and one of the points that Deputy Power made at the time was the Minister for Treasury and Resources wants people to drink because, as they said, it brings in money to the coffers for the States to spend on all the other things. Eventually the States adopted the proposal by Deputy Power and impôt duties did not go up that year. Of course it did not stop prices going up in the pub, so there is that aspect that no matter what happens prices will go up. Will they go up as much; that is another thing to consider. I also remember Senator Green, when he was the Minister for Health and Social Services, talking about Jersey, we are some of the worst drinkers in Europe. Often I have turned that on its head and said: "I like to think Jersey has some of the best drinkers in Europe"; it is just a matter of perspective. So this really is a situation of whether you see the glass as being half empty or half full. What I have said before often in this debate is if we in Jersey want to tackle some of the issues around alcohol consumption, that is looking at stress, that is looking at health, that is looking at loneliness, that is looking at the financial pressures that ordinary people are under, and credit to this Council of Ministers that they are - as the Minister for Health and Social Services has said - some of the pillars that have gone into the Common Strategic Policy that the States supported yesterday. So there are 2 points which I really wanted to make because I think Deputy Tadier managed to cover many of the points, and I was crossing them out as I went, so he has beaten me to them. There are 2 points that I want to make which are whenever it comes to the alcohol duties it is always just enough to keep people drinking. If you really, really had a serious health concern you would put them up so much more, and that is why I have always found this a particularly difficult debate because if you genuinely wanted to change behaviour you would do so much more than currently what we are doing. To be fair, we know that the Minister for Treasury and Resources and the Minister for Health and Social Services have obviously made their point about how, okay, it is a revenue-raising measure, which has some health benefits as well; so that has already been put on the record. But what I have never found fair in this particular debate is why it is so awful to be a poor drinker, getting your low-value low-cost ciders, *et cetera*, but it is absolutely perfectly fine to be a rich drinker drinking your claret and your whiskey. So it does go back to that issue around fairness, which is something that I have never really been able to reconcile in this Assembly. Of course what always happens around this time about the Budget debate - it is always around Christmastime - people always say: "Well, look who is being a Grinch, look who is saying 'bah humbug', and who wants to be filled with festive cheer?" As I say, I really feel that if this is something we genuinely wanted to address there are other things which are going to be tackled and I think you would put the rates up far more than we currently are. Until we are going to be totally honest about this my position has always been for about the last 10 years that I am unable to support the impôt duties and I am supporting Deputy Wickenden.

### **1.3.7 Connétable S.A. Le Sueur-Rennard of St. Saviour:**

Ever since I have been in this House I have always spoken about this and against it. I have first-hand knowledge, as most of you will know, about alcoholism, and putting the price up will not solve any

problems because they will find the money that they need for the drink regardless, and in the end it will be the family who will suffer because the family will not have money either for food or for any other bits and pieces because the alcoholic will have wanted the money for drink. Jewellery will be sold, anything of any value will go, and that is in the household; and then you get your domestic violence. It is not an easy thing to do. I will support Deputy Wickenden because raising the price - unless you put it somewhere where it is unattainable - is not going to work. Trust me, it does not work. I have been there nearly 25 years and it does not work putting the price up; it does not help. Also on another side, we do not help the old age pensioners, we do not help them very much. We have a children's officer, we are besotted looking after youngsters, but the old people we do not seem to bother with. A lot of old people will go into a pub, have a pint and be able to sit there, they have the company, they have the warmth, and for a little while they have social contact with other people; and putting the price up is going to stop that because when we give the pensioners more money we put the rents up so they are still exactly where they were in the first place. So I will not be supporting; I will be supporting what Deputy Wickenden is trying to do because I think it is very, very important on all fronts, on the home front putting up alcohol prices will not help the family, in fact it will drive them even worse than what they have ever had and they will lose much more. The violence in a home can be unexplainable and really nasty and the things that you treasure can go. Old age pensioners like to have something social, they can go out of an evening, sit in the warmth of a pub, have friends and talk to them over a beer, and I think putting the price up ... and it has got nothing to do with health, nothing at all, trust me. Trust me, it will not. All the inquiries and everything that has been spoken about; my father had a wonderful expression, he said: "Paper never refuses ink" and you can put anything on paper to try and convince anybody that it is going to be right. But trust me, it will not work.

### **1.3.8 Deputy T. Pointon of St. John:**

I have just been exploring Mr. Google and I have just put this together; it is I think a different take altogether. It does not include a reference to health, it simply includes a reference to excessive taxes on alcohol. This article, a Reuters correspondent is talking to a Turkish gentleman in a country where alcohol is frowned upon and where the large part of the country's population, because alcohol is being taxed so very heavily, are resorting to brewing their own alcohol, beer, spirits, wines and so on. Of course some time back in my past there was a time when I did a lot of brewing because I was a family man on a low income and I did a lot of brewing of beer and of wine, and I must say that it was quite tasty stuff. I will read this to you anyway: "Ceyhan [this is the name of the gentleman] says he, like many others in Turkey, has been driven to brewing his own beer by the high price of commercially produced alcoholic drinks and the hefty taxes imposed by Turkey's ruling party: 'I might never have started this if beer was not so expensive' the 25 year-old university student said. Under the ruling party, known for its dislike of alcohol, taxes on booze have increased steadily and now account for two-thirds of the cost of some alcoholic drinks. From early 2003 when the ruling party came to power until October 2017 the price of the traditional aniseed drink rose by 665 per cent. Beer prices rose by 580 per cent according to data from the Turkish Statistics Institute. 'What surprised me when I got into this was the cost. If I can make it this cheaply it is strange that commercial beers are so expensive' said Ceyhan. He makes beer from an online kit, while others brew cider, lagers and wine. Some also dilute shop-bought ethanol to make their version of vodka or raki. While on a small portion of Turkey's 80 million people drink alcohol regularly, many of those who do are determined not to be denied their tipples by the rising prices [I think that is a message to us] even though drinking home-brewed alcohol is not without its risks. Following the latest 10 per cent increase in alcohol duty, which came into effect in December, the number of people producing their own drinks has grown, distributors say. 'It is as easy as making coffee, but it is ready in about a month' said the civil servant from Ankara, who makes wines and beers of different flavours, including raspberry and coffee."

[16:15]



I will end it there, it goes on of course. I have a personal experience more recently. I was in Iraq in 2004 with the British Army and we had what we call a 2-can rule. That meant that no soldier, officer, could drink more than 2 cans of beer a day. The Americans were quite similar in that they would provide a can of beer but it would be non-alcoholic. Home brewing was rampant on that site and home brewing required a cardboard box and a clinical waste bag, a yellow clinical waste bag which is impervious, it will not release liquids. In would go your orange juice and some yeast supplied by your relatives through the post, and within a week, a week and a half, you had some palatable alcoholic drink. I argue that, as in Turkey, if we do increase the prices more so and more so we may be seeing reductions in consumption because people are brewing their own at home, and it will not actually be a health benefit to the Island. I will end there.

### **1.3.9 Deputy R.J. Ward of St Helier:**

This has been one of the more difficult decisions in terms of what I would do here, but I am minded to support the amendment. There have been some confusing things, first of all agreeing with a Millwall fan is not always an easy thing for me to do, but I find myself doing that. I am struggling to find the other parts of your manifesto, but we will not go into that now. My concern is this: if we continue to raise the duty by small amounts on alcohol without an actual plan on how we are going to address excessive intakes of alcohol and other substances on the Island, what we have is a smokescreen. We have a smokescreen for the lack of genuine facilities that are needed to be available in our healthcare system because we feel like we are doing something; we are doing something, we are putting tax up again, it is fine, it will put people off. Now, I was going to bring an amendment to your amendment which said that we will ring-fence any money from the increase in this towards drug and alcohol rehabilitation, but it is so difficult to find out how much money was raised and how you would ring-fence. I thought, well, I would lose that amendment because we would go into the mire of kicking things into the long grass and the confusion over our incredibly confusing tax system that needs to be simplified, and we would get nowhere. So I did not bring that amendment. However, if this amendment is not passed I think I will bring that proposition to the Assembly in the New Year because if we are going to pay tax on alcohol let us direct it to where it is really needed and not just have it as another source of taxation that gets lost in the mire and probably ends up in the Consolidated or whatever fund that we put all of our money into when we do not want to spend it on the things that we should be spending it on. So I am very minded to support this amendment, and let us deal with the other areas that mean the people do become reliant upon alcohol. I think it was mentioned before by some other Members of this Assembly in what they have spoken about so far: stress, job insecurity, housing insecurity. The pressures that are put on people who are working in 2 or 3 different jobs in order to make ends meet, and the pressures that are put on them in the workplace due to the ever diminishing wages and ever increasing costs in other areas of their life. Let us help them rather than finding solace in alcohol to have a quality of life, and that means a cultural change. If part of that cultural change is a minimum pricing of alcohol then we need to decide upon that in this Assembly and we need to go with it and we need to explain the reason why and the effects that is going to have in the long term. But tinkering around the edges is getting in the way of us addressing those serious issues and coming up with the solutions that we need in the long term to solve the problems that do exist.

### **1.3.10 The Deputy of St. Mary:**

Whichever way this vote goes - and I am not sure yet which way I am going to vote - can I thank the efforts of the Minister for Treasury and Resources, the Assistant Minister for Treasury and Resources and the Minister for Health and Social Services for what seems to be collectively an enlightened view of the problem. I speak as a former member of the Economic Affairs Scrutiny Panel, which had the job of reviewing the proposed Licensing Law. I do not wish to stir any redundant issues - and I am looking at Senator Pallett as I speak - but I think it fair to say that one of the main concerns of the panel at the time was what they perceived as an imbalance towards the health considerations. Yes,

we fully took account of the fact that they needed to be taken into account but we thought that little regard or not sufficient regard was paid to the economic benefits and, as someone said, the social benefits of being able to have a drink in the evening to some people who may not have the best social life otherwise. All I wish to say is that if this collective enlightenment can be grasped and committed to any new Licensing Law which might be brought, I would like to think that at least one of those issues should be fairly easy to resolve.

**The Bailiff:**

Does any other Member wish to speak? I call on Deputy Wickenden to reply.

**1.3.11 Deputy S.M. Wickenden:**

Thank you to everyone that took part in this debate. I guess I will start by thanking the Minister for Treasury and Resources and the Minister for Health and Social Services for being honest and saying that this is a revenue-raising matter. I am disappointed still of the lack of information. I have tried my best to pull as much information that was publicly available as possible together for my report, and that took a lot of time and effort and it would have been nice to see something more. I just want to correct a couple of things that the Minister for Health and Social Services said; it was a very good speech, very well said, but in my report I did not reference the 2017 report. I referenced the 2018 report. There is a link to it on my report, it goes straight to the 2018 and that is where I got my quotes. The quotes said that there is a lack of clear statistical evidence showing the impact that rises in goods taxes have on consumption of alcohol. That is where I got my quote; it was not from 2017 and corrected in 2018. It was directly from the 2018 report which was in my report and it was linked. So I did not get that wrong and it was not about 2 years ago, it was about last year. The highest consumption in Europe is one thing but we are a small jurisdiction and how are we comparing it properly? Is Jersey comparable to everywhere else in Europe that do these big reports? We need to do a report in Jersey on the effects of alcohol, on the price of alcohol, and we need to do more to fix it. As I said, in 2004 there was a report that talks about the alcoholism being behind closed doors, about alcoholism and people that are drinking in the parks and outside the hospital. We have done nothing; nothing. We have just taken the money and put it into general coffers to be spent in any other way. We have not been dealing with the issue. The Minister for Health and Social Services mentioned that the Strategic Plan has health within it, well it had it in the last one and it probably had it in the one before that, and probably the one before that. To say: "Well we have got it in now so trust us that we are going to fix it" okay, I think we have got a much better Assembly here than was in the last one, I have a lot of hope, but it has been in every report so to say: "Trust us, trust us" ... I would like to thank Deputy Tadier for a really, really good speech and there was a lot of things that he mentioned there like the campaign on smoking, how much we have done to try and reduce smoking by how it is displayed, how it is advertised, not smoking within buildings and pubs; so much targeted campaigning for the reduction of smoking but there is none for alcohol, and I thank the Deputy for bringing that up. There is the fact that retailers might raise prices, even if we do not. Well, if they do let us shine the spotlight on them. Year on year the retailers point their fingers at us for the little increases that we do and keep pushing the populous of Jersey and go: "Look, look what they are doing." It is very much like the magician, is it not: "Do not look at this hand, look at this hand." So maybe if we do not put the duty price up and the retailers do we can shine a spotlight, but that should be in a review as well; we should be having a review as to why our prices are so different in Jersey, where the cost is. Deputy Tadier also mentioned it is one in 6 crimes, and 70 per cent of them in the domestic house. This is a strategy and policy to raise money and revenue and ignore the detrimental effects it is having. The Constable of St. Saviour talked about loneliness in the elderly and talked about the domestic abuse behind closed doors that this caused. We have heard about home brewing and how when you start pricing to a certain level people will just start finding other ways to sort their habits out. This strategy of raising impôt every year just that little bit enough to keep the price to about £58 million worth of income year on year ... let us say we took that £58 million of

income every year, or Deputy Ward puts an amendment in the Medium Term Financial Plan to say: “Let us ring-fence that, we can have the most platinum plated drugs and alcohol centre in the world, £58 million a year.” I cannot believe in raising a tax just because it is an easy way of making money; that ignores all the harm it does. If you drink alcohol in small amounts it has health benefits, it reduces risks on dementia and heart disease. But we are taxing the people that drink sensibly alongside to try and affect the people we cannot affect. It seems like madness and it seems like a strategy gone mad, and it is lazy. It is a lazy strategy and it is a lazy tax and it is doing more harm than good despite the fact that we are just getting £58 million. If you are worried about the money - and I will say this again because I said it in my opening speech - in 2017 there was an estimated loss of revenue of £600,000 agreed to reduce the impôt on alcohol, but what happened was we saw an increase of funds of £1.2 million. We have never had the estimate right, year on year; there is £3 million in surplus one year and then £300,000 deficit the next year, then there is £1.6 million more than was estimated the next year. Do not worry, the money is not going to go into a massive deficit because there is no proof. I have given you the evidence year on year that there has never been an estimate that has been true, and in fact we normally end up with more money. I do not think I need to go much further in this. I cannot support a tax that ignores the detriment that it does, and we need to do more. I am asking that we freeze it this year and that the Council of Ministers and the Treasury go and do a proper review to understand the impacts of alcohol pricing, why it is so expensive, and then come back next year with the real facts and then ask us again or come up with a better strategy. With that I will propose my proposition and ask for the appel please.

#### **The Bailiff:**

The appel is called for. I invite Members to return to their seats. The vote is on the sixth amendment, proposed by Deputy Wickenden, and I ask the Greffier to open the voting.

[16:30]

<b>POUR: 17</b>	<b>CONTRE: 28</b>	<b>ABSTAIN: 0</b>
Connétable of St. Helier	Senator I.J. Gorst	
Connétable of St. Saviour	Senator L.J. Farnham	
Connétable of St. John	Senator S.C. Ferguson	
Connétable of Trinity	Senator J.A.N. Le Fondré	
Connétable of St. Mary	Senator T.A. Vallois	
Connétable of St. Martin	Senator K.L. Moore	
Deputy of Grouville	Senator S.W. Pallett	
Deputy M. Tadier (B)	Senator S.Y. Mézec	
Deputy M.R. Higgins (H)	Connétable of St. Lawrence	
Deputy J.M. Maçon (S)	Connétable of St. Brelade	
Deputy S.M. Wickenden (H)	Connétable of Grouville	
Deputy G.J. Truscott (B)	Connétable of St. Peter	
Deputy L.B. Ash (C)	Connétable of St. Ouen	
Deputy of St. John	Deputy J.A. Martin (H)	
Deputy S.M. Ahier (H)	Deputy G.P. Southern (H)	
Deputy R.J. Ward (H)	Deputy K.C. Lewis (S)	
Deputy C.S. Alves (H)	Deputy S.J. Pinel (C)	
	Deputy of St. Ouen	
	Deputy L.M.C. Doublet (S)	
	Deputy of St. Mary	
	Deputy J.H. Young (B)	
	Deputy K.F. Morel (L)	
	Deputy G.C.U. Guida (L)	
	Deputy of St. Peter	
	Deputy of Trinity	

		Deputy M.R. Le Hegarat (H)		
		Deputy J.H. Perchard (S)		
		Deputy K.G. Pamplin (S)		

#### **1.4 Draft Budget Statement 2019 (P.114/2018): second amendment (P.114/2018 Amd.(2))**

##### **The Bailiff:**

We now come to the second amendment, lodged by Senator Mézec. I ask the Greffier to read the amendment.

##### **The Deputy Greffier of the States:**

Page 2, new paragraph (f) – After paragraph (e), insert the following new paragraph – “(f) to agree in principle that from year of assessment 2020 the 20 per cent personal income tax rate should no longer be available (except for H.V.R.s (high value residencies), for whom no change is proposed), and personal income tax should instead be charged at a rate of 25 per cent (with all personal income taxpayers being entitled to the allowances/reliefs which are available to marginal rate taxpayers when calculating the amount of income taxable at the rate of 25 per cent), and to direct the Minister for Treasury and Resources to bring forward the necessary legislative changes for debate by the Assembly during 2019.”.

##### **1.4.1 Senator S.Y. Mézec:**

Can I start by thanking - because I know they will be listening - the officers at the Treasury Department for providing objective advice and being very helpful while we put this amendment together? I hope that Members will see by the way that we have approached this amendment that we have tried to play this by the book. This was originally Deputy Tadier’s idea, which we produced working with the Treasury to try to fully understand all of the implications from it, and we have produced it in consultation with our party members. This obviously culminated in it becoming a key election pledge earlier this year, and for those of us that were elected on this pledge this is now our mandate which we seek to fulfil to honour our commitment that we made to the electorate. Even though they are not supporting it I also want to thank the Chief Minister and Minister for Treasury and Resources for understanding and respecting our democratic perspective on this. So the simplest explanation of this proposal is this: we propose moving from 2 income tax calculation systems to one system, which already exists - the marginal relief system - and lower the rate from 26 per cent to 25 per cent. We retain the tax system which the vast majority of taxpayers already pay on, and which the Tax Department is already equipped to manage, and we simply apply it across the board. It puts everybody on an equal footing and it treats all Islanders the same. The net effect of this is that it gives a modest tax cut to 43,000 taxpayers while asking the top 3,500 to pay a bit more. In total this raises £7.5 million for us to invest back into our public services. So if you are a taxpayer now who gets an I.T.I.S. rate of zero per cent you will still get zero per cent. If you are on a rate between 1 per cent and 19 per cent, as the vast majority of taxpayers are, your tax will go down. If you pay 20 per cent you still might get a tax cut if you are at the lower end of 20 per cent, and it is only for those at the higher end of it that will see a rise, and that rise is progressive. So attached to the report for this amendment as the appendices are charts which map out the effects of this policy on different household types. You can see by what amount and on what incomes those households would see their tax change, and you can see from these charts that the threshold at which people start paying more is very high. This is not by any stretch a tax on middle Jersey. The example I give in the report is a married couple each earning the average wage with 2 children, that household will be £315 a year better off under this proposal. A family with 2 children and a £300,000 mortgage would be no worse off until they were on £274,000 a year which I think by any stretch can be described as a high-earning household. In my view, this proposal satisfies all of the criteria set by the Government on tax policy. We have heard that criteria used already today, that taxes are meant to be simple, low,

broad and fair. So this moves us from 2 calculations to one calculation, so it is simpler. It is low because we go from 26 per cent to 25 per cent, and you might say: “Well it is higher for the top earners” but I think compared to a 45 per cent tax rate in the U.K. and even higher in parts of Europe it is still very low. It is broad and it is fair because it applies to everyone equally in the same way. But most importantly, I believe that this is in line with the priorities of the Strategic Plan that we passed yesterday and our aim to reduce income inequality and improve the standard of living. I know that I risk sounding like a broken record when I make this point but it is a point that I raised in the C.S.P. debate yesterday and I think we really need to understand this and get to grips in understanding how the economic circumstances of people in Jersey have changed over recent years if we are to understand how we can fulfil our number one duty, which is to try to make life better for the population we represent. Here are the facts: we have had a decade long trend where the richest people in Jersey are constantly getting richer while the poorest get poorer, and the decreasing number of people who fit into that middle band have seen their living standards frozen. The last Income Distribution Survey showed that the poorest fifth of Jersey’s society has seen their incomes fall by 17 per cent, meanwhile those earning above £1 million a year have quadrupled. This cannot carry on for ever. At some point we will have to do something about this, not just because it is immoral, in my view, to let so many people languish in times of prosperity for some, but because ultimately it is bad for the economy, and I think all of the evidence from the I.M.F. (International Monetary Fund) and the O.E.C.D. shows that the economies that do best are those with less income inequality. So this proposal does something to ask those who have fared best through the tough economic times since the financial crash to give back a bit more to support those who are working harder than ever and have not seen life improve. Is it not our job to try to see life improve for the people we represent? What is our job if not that? So some points have been made in the run up to this debate in opposition to this proposal, and of course the main one that we face time and time again, which is that if you tinker with Jersey’s income tax system it will simply lead to a mass exodus of the highest earners leaving Jersey. I have to say that I have absolutely no sympathy with this argument. I might have sympathy with it if we were proposing doubling the tax rate, but not for the sake of 5 per cent. Jersey is, I think, so much more than just its income tax rate. There are a million and one reasons to want to live in Jersey and there are places not just across Europe but in the Channel Islands that have more favourable personal tax rates than Jersey does. There are several European countries that have lower top rates of tax than Jersey. The Isle of Man has a tax cap; they also have a lot more rain than we do. Sark has no income tax but you will be lucky if you have electricity on the island. In Jersey you get what you pay for. You get the beaches and the weather, you get good transport links to London, you get a safe place to bring up your children and you get a tax neutral corporation tax system and world class business infrastructure. These are among some of the reasons why people enjoy living in Jersey and they will continue to enjoy all of those things when we rebalance our tax system, which I think is inevitable that at some point we will have to do. I do not believe that there has ever been a shred of evidence presented that shows that people leave when there is a modest increase to the top rate of income tax. It did not happen a few years ago when the Isle of Man increased their top rate of tax, it did not happen to Singapore when they increased their top rate of income tax either. But I also think that this argument partly misses the point in that it assumes that it is only the wealthiest people in our society who are mobile, and of course that is not true. The most mobile people in our society are those middle earners because they can leave without having to rearrange any sorts of business interests. Surely it is obvious that if things get too tough for those people then they can leave if they find it too tough facing a decade of wage stagnation, they find the cost of housing too difficult to see themselves being able to make a decent life here. They can relocate too and that is a huge amount of talent that Jersey could potentially lose and that is why we need to do more to support them and to seek to increase their economic means, and that is at the heart of what this amendment is trying to do. We received a letter in our email inboxes yesterday from Jersey Finance and I think that there were several fallacies in their letter. There were 2 fundamental mistakes that I want to pick up on. The first is that they claim that Jersey’s tax rate has remained the same for 75 years and of course

that is not true, it simply has not. For a start we have had the creation of the marginal relief system, we have had 20 means 20 when a whole bunch of allowances disappeared for some, and we have had the introduction of the long-term care tax, which means we do not have a top rate of income tax of 20 per cent anymore. Our personal tax system has often throughout the years gone through significant changes and this is right that this happens, that tax systems fluctuate, because surely, we have to change over time to respond to the changing circumstances of the day and our needs as a community, and surely it is right that we be having that discussion today given the challenges that Jersey faces in its future. The second fallacy I think was in this letter was that they say that it sends out a message of instability for the corporation tax system. How can this be the case when personal tax and corporation tax of course can be looked at separately? If you are going to put that criticism to a tax amendment surely it would have been the discussion we had earlier today on the retail tax, which is much more closely tied with corporation tax than personal tax issues. Just to make Reform Jersey's position clear on this, because this was in our manifesto and we were absolutely unequivocal about it; we support maintaining a zero rate in our corporation tax system and I do not think that it is helpful to tie the 2 issues together, especially when that is not referenced at all in our amendment. The other argument - and this is one that is particularly frustrating and one that I warn new Members of this Assembly that you are going to hear a lot over the next few years - and it is the one that is raised in the Council of Ministers comments to this amendment is that we cannot do this now because there is an ongoing review. It is frustrating because we hear this argument used time and time again and it is often used as an excuse either for doing nothing or for putting off the inevitable. I think that as elected politicians it is our job to lead, and that means making decisions on what you believe is right and not passing the buck. So the key example that I can think of, of this excuse being used not to do something, was the second proposition that I ever brought to this Assembly when I brought the first debate on same sex marriage. I brought a proposition in principle asking us to get on with it and then go ahead and produce the legislation, and that was amended to introduce the review element to it. I am fairly sure that this review probably delayed the implementation of same sex marriage legislation by at least a year. We were the first Crown Dependency to begin that journey and we were the last to finish it. I do not think that is an example of a good way of doing things. Another example I can think of was at the start of the last term of office where Deputy Southern brought forward a proposition to improve access to maternity leave and that was voted against, I think it was voted against twice if I remember rightly. So what happens, 2 years later the same proposition is brought back to increase maternity leave and we have 2 years of inaction and not doing anything. I do not think it is helpful to say: "Let us not do this now because there is an ongoing review" when I think really we ought to know already what we think is the right thing to do; and can we not base this on our own definitions of fairness? How is a review going to change that? We know already that this proposal can be achieved in the framework of the tax system we have already. It has been confirmed that none of the practicalities are insurmountable and, in my view, it leaves the tax review to look at everything else, to spend more time on some of the issues that do need to be looked at.

[16:45]

I would say that one of the big things that this review will have to look at - the issue of independent taxation - is surely made easier by this proposal because they can predict things based on one tax calculation rather than having to look at 2 and the often convoluted interactions there may well be within different household circumstances. So I think this proposal makes that work much easier, and it is something important that we need to do. I hope Members will have had the chance to look at the information in the appendices because I think they lay clear where the burden falls and more importantly where the burden does not fall on this. I hope that Members of this Assembly will not be like previous Assemblies and kick things down the road. I hope that this will be an Assembly that will look at proposals brought forward to it and make decisions based on what we think is right or wrong rather than kicking things down the line. So on the basis that this is a proposal which makes our tax system simpler, it is fairer because it asks us all to pay under the same mechanism, it raises

revenue to support our public services at a time where we do need to be supporting our services to meet those priorities that we set ourselves yesterday; I hope Members will see this is the right way forward and, on that basis, I make the amendment.

**The Bailiff:**

Is the proposition seconded? [**Seconded**]

**1.4.2 Deputy S.J. Pinel:**

Firstly, I would like to say thank you to Senator Mézec for acknowledging the Treasury Officer's input into his amendment. In the coming 2 weeks I will be launching a very important public consultation on the future personal income tax system for our Island. This is part of a second phase of the review of personal taxation commenced by my predecessor, Senator MacLean. This is a root and branch review of the existing regime, which I think we all accept is long overdue for reform. A huge amount of thought and preparation has already been invested in this personal tax review by the States Treasury and Exchequer to ensure that the fullest public consultation and debate takes place in the coming months. The goal for all of us is to create a modern and effective personal income tax regime that meets the specific social and economic needs of this Island. To get this right is an incredibly complex process with a range of competing needs to be fulfilled and possible unintended consequences to be monitored. Our new regime will have to fulfil many and diverse criteria. It must be designed to raise sufficient revenues year on year, enabling us to meet the needs of all of our citizens. It must ensure that the personal tax base of the Island is maintained in a sustainable way that will protect us from any future shocks. It must be a regime that is suitable for the type of economy that funds our public services. We are a small and open island economy and, therefore, compete on the international stage for the best talent and skills available. The new regime must be based on sound international principles of good tax policy, ensuring that the personal tax burden causes the least possible damage to future economic growth. It should ensure that work pays for Islanders and last, but by no means least, it must deal once and for all with the archaic married man tax system that we have inherited from very different times past. Clearly this will be a far-reaching piece of work that we want all Islanders to engage with. It will consider personal tax rates as well as the full range of other pillars that will contribute to the best possible tax regime for the Island. The successful introduction of any major reform to the personal tax regime will also hinge on a top class tax administration system. It is crucial that we have this functionality in place to ensure a smooth transition to any new regime. Members will know that a major investment is taking place as we speak in transforming the Taxes Office's computer system and this will be ready when we come to implement the anticipated reforms. As with any project for reform on this scale, careful timing and planning is key. While I fully recognise the time and effort that Senator Mézec has committed to the proposals contained in his amendment, I cannot accept it while a comprehensive review of the personal tax system is already underway. Pending the outcome of this review, now is not the right time to be making the changes to personal tax that are set out in this amendment. Thank you.

**1.4.3 The Connétable of St. Ouen:**

I had not anticipated speaking quite so early in the debate but, nevertheless, I will. I apologise for my voice which is rapidly disappearing. I applaud Senator Mézec's attempts - and I do not mean attempts in a derogatory way - to adjust our income tax system, and I also applaud the Minister for Treasury and Resources' review of the system. He knows well from discussions with me that I have had this view for a long time that Jersey's middle and lower income suffer badly under our system and his proposal goes a long way towards that. However, that is not the thrust of my concern. My concern is around the letter that we received from Jersey Finance. I would remind Members - and I am sure they know - that Jersey Finance makes up 60 per cent of our income. What I am not saying is that they will resist income tax changes for ever; what I am saying is that this letter expresses a high degree of concern about the question of consultation, and they make reference to the fact that

Jersey has a stable rate of tax. If we quickly change that rate of tax it will send, in my view, the wrong message to our Minister for Finance's masters in London who will be very concerned that we have made a very quick change to the tax system without consultation with effectively our partners in our Island business. As I have said, they make up 60 per cent of our income, they are our largest industry and, in my view, it is a grave mistake to make a change like this without spending the time, going to talk to them and explaining why we are doing it. Senator Mézec makes a very good case as to why we should make this change but it is important that we take our partners with us, because if we do not do that we risk instability in our finance industry, which in my view would be a grave mistake. Not only that, the finance industry will expect some things from us before we start raising revenue from them. They will expect us to have made significant progress in reforming our Civil Service and our cost of Government. It is, from my time in the finance industry, one of the biggest areas of criticism of our Government - the cost of running the Government. We are making good progress, but before we come to them and their employees for more money, they will expect us to make some progress on that front. They will also have expected us to exercise wage restraint with our workforce, because believe you me, whatever the States workforce get, they will then face significant pressures from their own workforce to match that or better it. Those are my concerns. I think Senator Mézec's proposal has a lot of merit and I would be minded to support it if we had talked to the finance industry before and we had a letter which said: "We are happy with this and please do go ahead." We do not have that. We have a letter from Geoff Cook which expresses an awful lot of concern, if you read between the lines, but they have not been taken on this journey yet, so I would encourage him, whether he wins it or not - if he does not win it this time - to work with the Treasury, come back with that proposal, help lower and middle income earners and consult with the finance industry so that the finance industry are taken on this journey with us and will approve it. I am sure they will look on it sympathetically if they are taken on the journey carefully.

#### **1.4.4 Deputy G.P. Southern:**

I hope this is not an occasion when Members sit on their hands, because this is a vital, I believe, in principle decision that we want to make today. It is in principle. This is the principle, to agree in principle, clearly stated, that from the year assessment 2020, carefully consulted with the Tax Department - whatever their new name is - over the last 18 months-plus since we first thought of it with them to say: "Is there any issue with doing this?" Imagine our joy when we discovered that this particular change not only made the tax system simpler to understand ... who understands marginal rates, even in this room? One, 2, 3 hands. Not bad. Yes, and we are a fairly bright bunch, but most people do not. We have checked with them: is it possible to do the changes that you want to put into place, like the elimination of married men and the responsibility for women, the signatory for women, which incidentally was started way back in 2014 by an in principle decision to move by who? Oh, it was me. That is finally happening. "Any problem with implementing that more or less at the same time and moving to a new computer system more or less in a similar timescale to this particular movement?" and they say: "No technical problem whatsoever. It can be done." I was very disappointed to see that the response from the Council of Ministers has been: "We could not possibly move now, because we are in the middle of a big review." Technically there is absolutely no reason why we should not, and given the timescale, year assessment 2020, ample time to do this move. We could today - we can today - accept in principle that that is the direction we should be going. It is not a problem. It is not an issue. The Council of Ministers, I believe, is crying wolf to say: "We cannot do it, too difficult, too complex. We are reviewing anyway." When we start talking about earnings and tax, of course we are open to the fact that those people who earn more - rightly, I believe - should be paying a little more. They should be shouldering the burden. That is what our proposition does. But let us have a look at who that affects, and please, Members, do have a look at the graphs which have been supplied in the annex to your report. They are very clear. Household 1: single, working age, no mortgage, has tax reduced all the way up to £78,000, does not pay one penny more in extra tax until they are earning £78,000. Sorry, yes. No ... £78,000. Sorry, the text is a bit



small. I am feeling my age today. I will get a new set of glasses, I think. £78,000 before they pay a penny more. One has to ask in this case why they are not taking out a mortgage, because they could pay even less tax then. Nonetheless, £78,000. Household 7: a single pensioner, no extra tax paid; tax reduction for the vast majority, not a penny of extra tax until they are earning £78,000 a year. That is a fairly wealthy pensioner who I suggest could afford to pay a few pence more. One last one, household 3: married with a £300,000 mortgage. We look at the charts and what do we find? That figure below which you have a tax cut is around £200,000, not one penny extra tax paid until you are earning £200,000. Now, I ask Members whether it is realistic to suggest that somehow the finance sector will flee screaming, crying: "Horror of horrors", blood in the streets for paying a little extra tax when you are earning £200,000. I suggest that we should not be expecting to see a mass exodus and our population problem solved overnight because, quite frankly, nobody is going to leave for that.

[17:00]

Then the Council of Ministers say: "What is more, the net gain is only £7.5 million. It represents a very small percentage increase, less than a 2 per cent increase in personal income tax revenues, considering the fundamental nature of the change being proposed and the potential impact with the competitive position of the Island's tax system." I seriously do not believe that we should think £7.5 million is a minor effect. We have just been arguing about £600,000, was it, at some length. £7.5 million is quite significant. It is the youth centre and some more - a luxury youth centre, if you like - in the north of town that could be funded from that extra £7.5 million. We know that we have a tax system which at the moment does not bring enough revenue for the services we wish to supply to our people as a Government. To turn down in principle the possibility of £7.5 million extra into 2020 - 2021 by the time it is paid, by the time it is in the Exchequer - that it is to be sniffed at, I think it is wrong. That is a significant amount paid and paid by a system which is simpler, fairer and more effective. I heartily commend the proposition to Members and again I will say the in principle vote for 2020, a perfectly safe vote. Do not be scared off doing that.

#### **1.4.5 Senator K.L. Moore:**

Unlike a previous speaker, Senator Gorst, it may surprise Members to know that I do not mind paying tax. Of course I have not paid tax myself since 2002, when I got married [**Laughter**], but I do take part in that household activity. However, today we heard a very clear indication - there was no hint, it was a clear indication - from the Minister for Treasury and Resources that next year's Budget will be going in a particular direction and that will be to see more taxes raised by this Government. The issue we have here is that this amendment was lodged on 19th November, really insufficient time, in my view, to introduce such a step change to our community and to the taxpayers of the Island. There are many issues that are related and we have heard in the previous debate about retail tax. There is a great discussion in the Island and tension still about the relationship between corporate tax and personal tax and much needs to be discussed in order to move forward and divide the direction. This is an area I believe where this Government has to divide its direction and bring it back to the Assembly when it is ready to do so. We cannot, in my view, simply adopt an amendment with the magnitude that this has just in the blink of an eye almost today. I would ask Members to caution themselves and think very carefully when voting on this amendment. Really that I think is all I have to say.

#### **Deputy G.P. Southern:**

A point of clarification, if I may, Sir. The Senator appeared to suggest that this was the first time that we had seen it in recent times. Was she not here a year ago when we proposed a very similar proposition?

#### **The Bailiff:**

That sounds like another speech, Deputy, not a point of clarification.

#### **1.4.6 Deputy J.A. Martin of St. Helier:**

Deputy Southern says it is no problem in doing this today because it is in principle. What we have heard is that we want to go out and we want to take people with us. There will be tax changes. This might not be the one. We have to consult and we have to consult with the people, the 60 per cent who bring in the massive amount that pays for everything you want here, that we have got in our C.S.P. Deputy Southern, the expert, says: "They are not going to leave, they are not going to do this." Of course he knows best. I am a very simple soul. I want to take these people with me and it is a little extra. I worked this out. You are going to have 43,000 people paying similar or less, 3,500 people are funding that, and on top of that you are going to bring in £7.5 million. Now, this was a Reform agenda. It was all over Facebook to ask how much were people going to be paying above that limit. There were so many rows. There was never an answer, not a clear answer. I hope that Senator Mézec, when he sums up, will have an answer for the people on those Facebook pages, because there was not one. Everybody says: "Of course you have gone to our people in Treasury and they are great and they said: 'Yes.' What if we do this? These are the figures." What they have not said: "These are the figures if nothing else changes." So you rearrange your tax or we lose some of these companies, you will not have the money to fund these things. The most annoying thing for me, as the Minister for Social Security, even last year, when we did see it last year, there was a nice paragraph at the end that said they had not quite worked out how the long-term care charge would work in this, who would then benefit and who would not. We know - we have already said - it will probably have to go up, not next year but the following year. Not a word on long-term care in the amendment this time, it is completely ignored. It would be remiss of me as Minister for Social Security to say: "Yes, it looks okay." We do know we have to do something, but to me, you cannot decide something here today. This is where you will hear from Deputy Southern. This is not consultation: "This is our decision and now we are going to ask you if you like it." This is what the Deputy behind me is saying let us do and this is what the Senator is proposing. We do know we have to have a good look at all our taxes, we obviously have to bring ourselves into the 21st century, where a woman can pay her own tax. I am with Senator Moore though, if your husband wants to pay it, good on him. I know you obviously contribute, but there you go. But honestly, this is really serious. We know we have to change things and it is not all as Senator Mézec says, we could have done same-sex marriage a year before, we could have done more maternity. There are times and places and all these things you have to take the people with you and you have to pay for these things. That is why sometimes it is frustrating in here: things take a little bit longer; you have got to get it right. When you have a letter from the people who are on the coalface saying: "Be very cautious about this", what the Senator is proposing, I think you should take notice. Also I really need to hear from the Senator when he sums up where does this interact with the long-term care charge.

#### **1.4.7 The Connétable of St. Peter:**

I have to say that I do agree with the sentiments of Senator Mézec in trying to bring these reforms and some of the comments made by Deputy Southern. However, there is a "but" coming: but what we have to be very aware of is the way that this change would be reported in the wider financial world. Those who use our financial services - and we are very dependent on that business - are very sensitive to change and before any changes take place, we would have to assure those in those jurisdictions that the taxation changes do not impact the services offered by our financial services companies or the investments held by them. You can be assured that those who compete for that business, and that is other jurisdictions, would quickly report these changes in a way which appeared beneficial to them and they could be justified in reporting this as: "Jersey increases tax by 5 per cent" because in effect they would say: "Jersey Finance has said that Jersey has had a tax rate of 20 per cent for many years and now they are proposing a 25 per cent rate." Even though the actual amounts paid in many cases would benefit people, it would appear on paper that it is a 5 per cent increase.

Despite all the good intentions, I must urge Members to vote against this proposition until we have had a proper review of all taxation.

#### **1.4.8 Connétable K. Shenton-Stone of St. Martin:**

I would like to start off by saying I do have real sympathy for this amendment, but I do believe in the best interests in the Island and Islanders that at the moment we have to say an emphatic no. The change from 20 per cent would completely undermine the financial services industry and could not be sustained as a tax law that at the moment I do not believe is fit for purpose. Before we can consider an amendment like this, the tax law needs to be completely overhauled before there can be any discussions about tax rates. I think we found that in an earlier discussion this afternoon. What we do need desperately before considering this amendment is a modern law, fit for purpose, that works. We need this change in the tax laws before we commit ourselves to financial suicide by adopting this amendment. I would ask that we have a firm commitment from the Minister for Treasury and Resources that the tax laws will be thoroughly revised, not just reviewed, but revised, as soon as possible. I understand that Treasury have been very slow in bringing forward reforms to the Tax Law, which have been asked for time and time again. I urge them to formally commit to change and I urge the Assembly not to vote this amendment at this time.

#### **1.4.9 Senator S.W. Pallett:**

I am probably going to incur the wrath of our only political party here, but I am going to apologise now. Can we please remember who is bringing these proposals? This is not Senator Mézec, part of the Council of Ministers, it is the Reform Party and its election manifesto promises. What mandate do Reform realistically have to bring such a dramatic change to our tax system? There is very little, I suggest, so please be careful, I would suggest to Members, what you vote for here. I am socially minded, like many Members, but I have to say, I did not sign up to any Reform Party policies at any stage and I am not going to now. "In principle" are 2 words that I have to say frighten the life out of me and can end up in all sorts of dire consequences. Also when people say they have consulted, it depends what type of consultation you have had. Who really are the top 3,500 that are going to get hit here? They are likely to be the self-employed, entrepreneurs and the wealth-generators, all those who invest in Jersey, employ staff in Jersey, already pay the largest bulk of personal tax in Jersey and are going to be targeted for being successful, working hard and contributing to the success of this Island and its economy. Let this go, who is going to be next? What is going to be next on Reform's hit list? Will it be higher rates for higher earners or will it be ransacking yet again 2(1)(e)s and high-net-worths, who I agree at one time moved to the Island to retire, but now tend to relocate here, invest their wealth here, start new businesses here in their new home and bring new employment to this Island. There was a suggestion that high-net-worths cannot relocate at the drop of a hat. Frankly, that is naïve. In fact, Senator Mézec even mentions that it is easier for one group of taxpayers, i.e. middle earners, to move away more easily than another, like the high-net-worths. I think that is, as I say, particularly naïve and also deeply worrying. I can assure the Senator, having spoken to many who have relocated to the Island, there is going to be a pivotal point for changes in tax and many will be capable of moving off at a blindingly fast rate. I warn the Senator *ad hoc* tinkering with our tax system will - not could - have dire consequences for investment in this Island, damage our reputation as a stable jurisdiction in which to do business and put at risk many of the jobs of Islanders that both he and his party purport to represent.

[17:15]

The Senator can snigger at the back, but it is true. The Senator may well have made election promises, but he is now part of this Government of the Island, and rather than jump the gun on dramatic changes to the current tax system, wait until a full and comprehensive review of our current tax structure is complete and then work with his ministerial colleagues to effect any necessary changes based on clear evidence. This amendment is dangerous and I implore Members to reject it.

#### **1.4.10 Deputy R.J. Ward:**

First of all, I would like to say that one of the reasons I stood for election is about fairness in our tax system, because it is not fair, so I was very pleased to be part of a party that proposed as one of our first manifesto pledges that we would change the tax system to make it fairer for all. That is what this does. The key principle of the C.S.P. is to reduce income inequality and improve standards of living. This is what this does for 43,000 members of our community. We pledge in the C.S.P. to achieve a fair balance between wages, taxes and benefits, rents and living costs. This change introduces a fairer taxation system which will enhance and balance the way that we desire. It is forward-looking and it raises £7.5 million. There are a few facts that we need to look at, there are a few details. It worries me enormously, the misrepresentation of this as a tax system, as something that we should be considering as whether or not we introduce a fair tax system. We need to have facts. If you are a single person, you have to earn £100,000 before you pay 1 per cent more; a married person with no children, £270,000 before you pay 1 per cent more; married people with 2 children have to earn £300,000 before they pay 0.4 per cent more tax; a married pensioner has to pay £200,000 before they pay 1 per cent more tax. This is not a company tax, this is individual taxation. The benefits are for 43,000 taxpayers. Now, as an Assembly we represent the whole of this Island, not one simple extremely wealthy sector of it. The fallacy that people who earn large amounts of money would leave this Island for paying, as I have suggested, 1 per cent more if you are a married couple earning £300,000 is not true, because if you have children, this is a fantastic place to bring them up. I have done that myself and children could not have had a better childhood than here. That relies on us paying our transaction to our society. That transaction is tax. I disagree probably on a number of things with Senator Gorst; but I disagree, I am happy to pay my tax, because that is the transaction I have with my society. If I am incredibly wealthy, I would expect to pay a little more and I would have no problem with that. It would not get me running off to somewhere else, where there are not clean beaches and there are not safe places for our children to go and play and there are not beautiful views, a decent health service, a decent education system. These are the things that you really know and other jurisdictions do not have those like we do, so these need to be remembered as you vote on this change to tax. Then we talk about the notion that: "Well, there is a review going on, far-reaching." These are some of the words: "Complex on our tax system." That translates as: "We will just kick it into the long grass for a much longer time." Let us look at where the pressure on that consultation will be. We have all had one. We have had an email from Jersey Finance, which it seems to be talking mainly about corporation tax and not about individual taxation that we are talking about here anyway. Before we look at that consultation, we need to think: "Who are going to be the main drivers there?" It is incredibly complex, but we have been here talking about this before and we are talking about it now. Given the drivers therefore on that review that are out there and the powerful voices that would influence that review, we have to be extremely careful that we get the voice of the majority of our population in terms of what type of taxation system they want. It has to be simplified. This does that, it simplifies one tax system. It also makes it a lot easier to have individual taxation systems where women are not forgotten. I absolutely oppose that; it is an absolute outrage. In fact, one of the biggest difficulties I had coming to this Island with my wife, who is a very independent and intelligent woman, who I would never speak for, is I had to do her tax for her and it was the most ridiculous thing that I encountered, to be quite frank. That can change with a simplified tax system and that can change a lot quicker. Our data, our figures, I implore you to look at the graphs, I implore you to look at the reality of what this change will mean. They come from the Tax Office. They are not plucked out of thin air, they have not been made up. They are about our tax, our residents, people who are paying tax here, so they are reality. I think it was Franklin D. Roosevelt who said: "The only thing we have to fear is fear itself." As an Assembly, particularly new Members who have come, and so many stood on the hustings and talked about change, they talked about: "It is time for change in our tax system and the way that we do things to get things done." What are we going to do, sit in this Assembly and then vote for a review? It might happen

in a year or so's time, it might come up with something perhaps by the end of our term in office. We do not want to do that. It is time for change. Finally, I would like to thank the Minister for Treasury and Resources for a really good idea, which is the A, B, C idea. I might adopt that myself and say: "To be quite frank, this tax system is affordable, it is balanced and it is certainly common sense. It is common sense because it is fair; everybody knows what they are paying and it addresses the middle earners on our Island. When we talk about those who will flee the Island, I would like to say now and get it on the record, we are at a tipping point for many of our middle earners on this Island, particularly among professionals like teachers and nurses and healthcare professionals, who are finding it not the place in terms of tax that they thought it was when they got here, because their taxes have been rising and rising and rising. This stops that happening for those middle earners and gives them a little bit back. If those people move quickly, then we hit a tipping point in our education system, in our health system, in our care system, in our services. That is when those people who are wealthy realise you are not going to get those services on this Island: "So why am I staying here, because I can go to other jurisdictions and I can get decent tax breaks there as well." So the real ingredient of what makes this Island a special place is its services and its beauty, not just its tax system. I reiterate, this is not about corporate tax, it is not about changing the finance system tax. This is individual taxation and this is an opportunity for you to vote for a fairer system that will enhance the lives of 43,000 individuals on this Island and it will welcome the middle income earners, who have been so stretched during the last few years of difficult financial times. I implore you to really think carefully about this and to really not let it be kicked into the long grass, look at the reality of it.

#### **1.4.11 Deputy J.H. Young:**

I think I probably have to declare an interest, in common with everybody else potentially affected by this, which I am assuming that it is shared with others and so therefore I can carry on. From my speech yesterday about C.S.P., Members will know that I do believe that we will have to address our tax base. There is no way, I believe, with all the demands that are already here and sitting in the strategic priorities, and I agree absolutely with every word of the Minister for Treasury and Resource's speech this morning. I am personally prepared to pay more tax. Like Senator Gorst, I loathe tax, I hate it. It is not an enjoyable thing, but it is a necessary thing for a fair and proper society, but what I do want to see is I do want to see us have well-funded public services. I want to have a reliable health service and I want to be able to feel that my grandchildren in their schools have every chance of decent futures in life because our education system is up to it. We are on a journey towards that and we are not there yet. I think there are some merits in the proposal from Senator Mézec. The first of those is what I have always wanted to see, an end to the 20 per cent means 20 per cent policy. I have hated that ever since it was introduced because that, in my view, is an unfair policy because what it did, it takes away the universal tax allowances and all sorts of anomalies and distortions occurred by that, which I have become increasingly uncomfortable with, and inherent in the proposals in the amendment are that everybody will have equal treatment from their tax allowances. Also it is very attractive to be able to say let us have another £7.5 million, but unfortunately there are some significant snags about this amendment. Deputy Martin has already mentioned, but it cannot be overstated, the consequences on the long-term care fund of this scheme. It means, I think, that clearly has not been thought through and therefore it means that everybody else would have to pay probably increased rates of that earlier, because we know that is going to have to go up anyway. It does not address the issues of the tax bands of 2(1)(e)s and this is where I disagree with Senator Pallett. The review that is going to take place needs to look at that, so we end up with fairness, because I would find it difficult to live with some people paying 25 per cent and other people paying 1 per cent. Also from the debate this morning, I think it is clear we really have to sort out the issues of corporate tax, unquestionably. We have to get to a fairer place. Then there are some technical problems with these charts. Sitting here looking at them, I think if you look at graph 1, you might notice that what it shows is that the tax band, the effective rate of tax goes down up to an end

point, and then we get a very sharp increase. At the point of cut-over when somebody then cuts over, I think there is a very sharp point there which suggests to me - it is a technical issue and I would like further work done on this - is there effectively a new marginal rate being created in the way this works? I have to accept what Senator Mézec says, but looking at that chart, all these charts show a change in the effective rate of tax and there is a very sharp point. I personally would like to see a more progressive scale. That is a technical issue. Then we have got the huge issue of the procedure, and both Deputy Martin and the Minister for Treasury and Resources have highlighted this. The fact that we are in the middle of a process of consultation and engagement with people and I have absolute confidence that this is going to come good. To make a change in the middle of that and say to people: "Do you remember all those issues that you have worked up there? There were a lot of options and lot of technical details in there; do you remember that? Well, we have decided to cut that one now and we are going to do it." Although Deputy Southern says: "Do not worry, because it says in the proposition, when you read it, it will not take effect until 2020, so that is okay then." But the proposition also says that there should be some legal drafting being done in 2019, which means that does shortcut the consultation process. For all those reasons, although I think there is merit in this and I think these ideas should go into the work that the Treasury team are doing under the leadership of the Minister for Treasury and Resources, I believe there will have to be an acceptance that people pay more tax. I am personally prepared to do that, but I want to see it linked to decent funding of our services, so I am not going to vote for the proposition. Having said all the good things in it, I am afraid the negatives outweigh.

**Senator I.J. Gorst:**

I call for the adjournment.

**The Bailiff:**

Do Members wish to ...

**Deputy J.A. Martin:**

How many more people want to speak, Sir?

**The Bailiff:**

At the moment only one, but I am sure there will be more to come than that. Members usually like to wait and see how things go, Deputy, as you know. Members in favour of adjourning now, kindly show. Those against? Very well, the States will now stand adjourned until 9.30 a.m. tomorrow morning.

**ADJOURNMENT**

[17:30]