

STATES OF JERSEY



DRAFT BUDGET STATEMENT 2017 (P.109/2016): FOURTH AMENDMENT (P.109/2016 Amd.(4)) – AMENDMENT

**Lodged au Greffe on 6th December 2016
by the Minister for Treasury and Resources**

STATES GREFFE

DRAFT BUDGET STATEMENT 2017 (P.109/2016): FOURTH AMENDMENT
(P.109/2016 Amd.(4)) – AMENDMENT

PAGE 2 –

In new paragraph (e) for the word “20%” substitute the words “higher rate of”; after the words “applied to” delete the words “all large”; and for the words “taxable profits are above GBP 500,000 per annum” substitute the words “annual taxable profits exceed a certain threshold (which is to be determined during 2017)”.

MINISTER FOR TREASURY AND RESOURCES

Wording of the original amendment:

After paragraph (d) insert the following new paragraph –

“(e) to agree in principle that from 2018 a 20% tax on profit should be applied to all large retail businesses operating in Jersey, whether owned by Jersey resident companies or by non-resident companies, where taxable profits are above GBP 500,000 per annum providing this does not pose a risk to the zero-ten regime, and to direct the Minister for Treasury and Resources to bring forward the necessary legislative changes for debate by the Assembly during 2017;”.

Wording of amendment amended

After paragraph (d) insert the following new paragraph –

*“(e) to agree in principle that from 2018 a **higher rate of 20%** tax on profit should be applied to ~~all large~~ retail businesses operating in Jersey, whether owned by Jersey resident companies or by non-resident companies, where **annual taxable profits exceed a certain threshold (which is to be determined during 2017)** ~~taxable profits are above GBP 500,000 per annum~~ providing this does not pose a risk to the zero-ten regime and to direct the Minister for Treasury and Resources to bring forward the necessary legislative changes for debate by the Assembly during 2017;”.*

REPORT

As the Minister for Treasury and Resources has stated publicly on a number of occasions in recent months, he is seeking a way to subject the profits of larger retail businesses to a higher rate of tax (the profits of such businesses are currently subject to tax in Jersey at the rate of 0%), provided it does not put the internationally compliant status of the Island's zero/ten corporate income tax regime at risk.

In order to extend the number of businesses subject to a higher rate of tax, it is crucial that the Island can evidence the balance of profits subject to tax at 0% vs. the balance of profits subject to tax at a positive rate. Steps to gather this evidence have already been taken (e.g. changes to the 2015 corporate income tax return; exchanging information with the JFSC – subject to confidentiality obligations), and the Minister's 2017 Budget proposals contain changes to legislation to give the Taxes Office the power to collect profits data from all companies which are taxable in the Island.

During 2017, based on the information available, the Minister will determine whether it is safe to propose a change to the taxation of larger retail businesses in his 2018 Budget proposals.

Senator S.C. Ferguson's amendment copies the retail tax introduced in Guernsey in 2016. Although the retail tax model utilised in Guernsey, and similarly the model utilised in the Isle of Man, is a sensible starting point for the rules that might ultimately be introduced in Jersey, it is inadvisable to be so prescriptive on the details at this stage. The Minister's amendment to the amendment therefore maintains the position he has outlined in recent months (i.e. he is seeking a way to subject the profits of larger retail businesses to a higher rate of tax), but maintains the flexibility to introduce a set of rules that are ultimately appropriate in the context of Jersey.

Financial and manpower implications

There are no financial or manpower implications for the States arising from this amendment.