

# STATES OF JERSEY



## **DRAFT FINANCE (2017 BUDGET) (JERSEY) LAW 201- (P.113/2016): COMMENTS**

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**Presented to the States on 12th December 2016  
by the Council of Ministers**

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**STATES GREFFE**

## COMMENTS

In their comments (*see* [P.113/2016 Com.](#)) on the Draft Finance (2017 Budget) (Jersey) Law 201- (*see* [P.113/2016](#)), the Comité des Connétables have recommended that States Members reject both Article 16 of that Draft Law (introduction of a mechanism through which to revalue rateable values) and Article 17 (removal of the exemption of the States from parish rates and the removal of the exemption of the Parishes from Island-wide rates).

This part of the comments addresses Article 17 and the States' payment of parish rates:

### Article 17 – Removal of exemption from parish rates

#### *Key points:*

- In the debate on the Draft Strategic Plan 2015 – 2018 ([P.27/2015](#)), the States Assembly overwhelmingly supported the Connétable of St. Helier's amendment ([P.27/2015 Amd.\(7\)](#)) that the States should commence the payment of parish rates during the course of this MTFP.
- Article 17 gives effect to this States decision by removing the exemption from parish rates currently enjoyed by the States.

By an overwhelming majority (36 votes “pour” to 6 “contre”), the States Assembly adopted paragraph (6)(b) of the seventh amendment to the Strategic Plan<sup>1</sup>, proposed by the Connétable of St. Helier. The wording of that amendment reads as follows –

*“(c) after the existing Key Areas of Focus insert an additional Key Area as follows –*

*“Provide in the next Medium Term Financial Plan for the payment of rates on States' properties.”;*”.

Following the adoption of this amendment, the Government has worked with the Rates Assessors to assess the rateable value of the States' property portfolio and estimate the potential cost to the States of commencing payment of parish rates from 2017 onwards.

The estimate of the potential cost, broken down by Parish, is as follows –

<b>Parish</b>	<b>No. of States properties</b>	<b>Quarters</b>	<b>Estimated cost to the States</b>
Grouville	11	345,205	£4,902
St. Brelade	44	3,683,614	£67,042
St. Clement	17	1,506,844	£26,520
St. Helier	119	26,583,186	£611,413
St. John	9	97,451	£5,949
St. Lawrence	6	298,805	£4,781
St. Martin	26	309,101	£7,171

<sup>1</sup> Details of the vote on the relevant amendment can be found here:  
<http://www.statesassembly.gov.je/Pages/Votes.aspx?VotingId=3854>

<b><u>Parish</u></b>	<b><u>No. of States properties</u></b>	<b><u>Quarters</u></b>	<b><u>Estimated cost to the States</u></b>
St. Mary	7	111,691	£2,457
St. Ouen	21	366,410	£9,527
St. Peter	14	330,259	£6,935
St. Saviour	41	7,508,458	£153,173
Trinity	23	299,774	£7,495
<b>Total</b>	<b>338</b>	<b>41,640,798</b>	<b>£907,365</b>

In order for the States to commence payment of parish rates, the exemption currently enjoyed by the States must be removed from the Rates (Jersey) Law 2005; the removal of this exemption is enacted through Article 17 of the Draft Finance (2017 Budget) (Jersey) Law 201- (P.113/2016). Therefore, if Article 17 of P.113/2016 is rejected by the States Assembly, the States will not commence the payment of parish rates from 2017.

This part of the comments addresses Article 16 and the introduction of a revaluation mechanism:

#### Article 16 – Determination of rateable values

##### *Key points:*

- Due to the fact that: (i) rateable values for property were fixed in 2003 by reference to rental values in 2001/02; and (ii) all new/changed property must now be valued by reference to all the other property in the Island (i.e. those properties that had their rateable value set by reference to rental values in 2001/02) – the Rates Law effectively results in all property in the Island being valued by reference to its market rental value in 2001/02.
- The market rentals of properties have changed since 2001/02, in some cases considerably, but the Rates Law prevents these changes from being reflected in rateable values.
- This creates an unfairness in the way that the rates burden is distributed amongst ratepayers.
- Article 16 simply creates the opportunity to undertake a revaluation exercise; how it will be done and how regularly, will be determined in Regulations to be developed in partnership with the Comité des Connétables and the Rates Assessors, and ultimately agreed by the States.

Article 16 of P.113/2016 also introduces a power into the Rates Law for the States to make Regulations under which the rateable values of property in the Island can be revalued.

The current rateable values of properties (expressed in “rateable quarters”) originate from the rateable values of properties set at the end of 2003. Those rateable values set at the end of 2003 were based on the rental values of properties in 2001/02. Therefore, although under the Rates Law, rateable values are determined by “attributes” (i.e. the

size, location, accommodation, condition and use of the land, and the quality of any house, building or other structure in, on, under or over land) – because the first set of rateable values were determined by reference to rental values, the effect of the “attributes” approach is that all properties are being evaluated by reference to the market rental that those properties would have achieved in 2001/02.

Accordingly over time, particularly where there have been changes in the fortune of a specific sector (e.g. retailers), or in prime locations of commercial property (e.g. the general move towards the Waterfront), the burden of rates amongst ratepayers has become unfairly distributed.

The Rates (Jersey) Law 2005 is drafted in such a way as to prevent any general revaluation of rateable values of property, meaning that this unfairness is locked into the Rates Law. Accordingly, in order to address the current unfairness and to prevent it arising again in the future, the Council of Ministers believe that the Rates Law needs to be amended in order to allow for revaluations to take place.

The change to the Rates Law is silent on how the revaluation should be undertaken; this will be determined at the time that the Regulations are developed. The Council of Ministers is committed to working with both the Comité des Connétables and the Island’s Rate Assessors to develop the wording of these Regulations – ensuring that the process for revaluation is reasonable (e.g. sensible timeframe for periodic revaluation – potentially every 10 years), and practically deliverable within the context of the current Rates mechanisms.

No-one underestimates the challenges of agreeing and drafting the Regulations, nor the practical challenges that will result from the revaluation process itself; however, the Council of Ministers is not prepared to maintain a taxation system which locks in unfairness.

**Accordingly, the Council of Ministers encourage Members to support the adoption of Article 16.**

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**Statement under Standing Order 37A [Presentation of comment relating to a proposition]**

These comments were submitted to the States Greffe after the noon deadline as set out in Standing Order 37A in order to ensure that the States Assembly has the latest information when considering the effect of the draft legislation.