

STATES OF JERSEY



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

SUSPENSION OF HIGH VALUE RESIDENTS

Lodged au Greffe on 28th November 2022
by Deputy S.Y. Mézec of St. Helier South
Earliest date for debate: 13th December 2022

STATES GREFFE

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

PAGE 2, PARAGRAPH (i) –

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

“, except that, on page 34 after the words “scheme for new entrants”, there should be inserted the following words, “and will therefore suspend the High Value Residents’ scheme in 2023 to enable the Government to complete this review before any new entrants are accepted”

DEPUTY S.Y. MÉZEC

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

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

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

- (a) to approve the estimate of total States income to be paid into the Consolidated Fund in 2023 as set out in Appendix 2 – Summary Table 1 to the Report, which is inclusive of the proposed taxation and impôts duties changes outlined in the Government Plan, in line with Article 9(2)(a) of the Law;
- (b) to approve the proposed Changes to Approval for financing/borrowing for 2023, as shown in Appendix 2 – Summary Table 2 to the Report, which may be obtained by the Minister for Treasury and Resources, as and when required, in line with Article 9 (2)(c) of the Law, of up to those revised approvals;
- (c) to approve the transfers from one States fund to another for 2023 of up to and including the amounts set in Appendix 2 – Summary Table 3 in line with Article 9(2)(b) of the Law;
- (d) to approve each major project that is to be started or continued in 2023 and the total cost of each such project and any amendments to the proposed total cost of a major project under a previously approved Government Plan, in line with Article 9(2)(d), (e) and (f) of the Law and as set out in Appendix 2 - Summary Table 4 to the Report;
- (e) to approve the proposed amount to be appropriated from the Consolidated Fund for 2023, for each Head of Expenditure, being gross expenditure less estimated income (if any), in line with Articles 9(2)(g), 10(1) and 10(2) of the Law, and set out in Appendix 2 – Summary Tables 5(i) and (ii) of the Report;

- (f) to approve the estimated income, being estimated gross income less expenditure, that each States trading operation will pay into its trading fund in 2023 in line with Article 9(2)(h) of the Law and set out in Appendix 2 – Summary Table 6 to the Report;
- (g) to approve the proposed amount to be appropriated from each States trading operation’s trading fund for 2023 for each head of expenditure in line with Article 9(2)(i) of the Law and set out in Appendix 2 – Summary Table 7 to the Report;
- (h) to approve the estimated income and expenditure proposals for the Climate Emergency Fund for 2023 as set out in Appendix 2 – Summary Table 8 to the Report; and
- (i) to approve, in accordance with Article 9(1) of the Law, the Government Plan 2023-2026, as set out at Appendix 3 to the Report, except that, on page 34 after the words “scheme for new entrants”, there should be inserted the following words, “and will therefore suspend the High Value Residents’ scheme in 2023 to enable the Government to complete this review before any new entrants are accepted.

REPORT

Summary

If adopted, this amendment would require the High Value Residents scheme to be closed to any new applicants in 2023 whilst the government continues its [review of the scheme](#).

This would provide breathing space for the government and States Assembly to consider options for improvement or change at the conclusion of this review.

Introduction

Jersey's HVR scheme is a contentious matter.

Whilst some argue that it provides a way of attracting individuals into the Island who will pay tax, create businesses and donate to local charities, others question whether the economic evidence demonstrates the level of benefit to Jersey that the scheme's proponents suggest.

On top of this, many have ethical concerns over the morality of a scheme which provides extremely wealthy people with a preferential tax and housing status, allowing them to skip the queues other immigrants must join and enabling them to avoid paying tax in their home jurisdictions.

Page 34 of the Government Plan outlines the current position on High Value Residents. It explains that their minimum tax contribution is being increased, in line with policy changes which were adopted 5 years ago. It also reveals that a review of the scheme is currently taking place -

“Ministers are reviewing the existing HVR scheme with a view to refreshing the scheme for new entrants.”

In response to a letter from the Corporate Services Scrutiny Panel (attached as the appendix to this report) the Chief Minister elaborated on what this review would include. However, at the time of writing this report, the terms of reference have not yet been published.

My experience of the HVR scheme

As a former member of the Housing and Work Advisory Group, I saw first-hand dozens of applications for 2(1)(e) status, and had to provide a view to that group on what recommendations should be made to the Chief Minister on whether to approve those applications.

During this time (2 years), I expressed numerous concerns about the operation of the scheme. I repeatedly asked officers for evidence to help inform our decision making but was never provided any of what I asked for, because it was not available.

Over time, I noticed a pattern, where several applications came through for people who were associated with a particular business which had relocated to Jersey a few years previously. These people were not entrepreneurs but were just very well-paid employees

of that business. They should not have been coming to Jersey as 2(1)(e)s, but rather as Licenced members of staff for that business. This would also have required them to pay their full share of tax. But, despite my protests, the applications were just nodded through by the rest of HAWAG.

When asked to approve applications, I would often do my own due diligence and search online for the applicant's record and reputation. I would occasionally find that the applicant's wealth was not truly built up independently but had originated from the wealth of their spouse who, when you looked them up, was shrouded in controversy and under investigation in other jurisdictions. The application was clearly done in one spouse's name to avoid an association with the real source of their wealth.

Later in my tenure, we received on more than one occasion applications which did not contain complete police checks. Despite not meeting this basic requirement, the officer recommendation for the applications was to approve them anyway. I refused to provide my approval but was generally outvoted by the rest of the group.

Conclusion

The fact that there is a review going on into the HVR scheme is a sign that there is concern as to the appropriateness of the terms and operation of the scheme. It should therefore follow that a scheme which is acknowledged to be sub-optimal should not continue to accept applications whilst these issues are resolved.

Financial and manpower implications

There are no direct financial or manpower implications arising from this amendment. The Government Plan currently provides for an increase in revenue from HVRs, based on the increase in tax contribution to be made by those who have already come to Jersey in recent years. This does not include projections for what income will be received from new applicants in 2023.

The caps on Social Security Contributions and the Long Term Care Tax are defined in law, and so would require a minor change of legislation implement their abolition.