

**QUESTION TO BE ASKED OF THE PRESIDENT OF THE FINANCE AND ECONOMICS
COMMITTEE ON TUESDAY, 20th MAY 2003
BY DEPUTY R.G. LE HERISSIER OF ST. SAVIOUR**

Question

Would the President indicate whether or not the Committee is committed to an integrated tax policy as opposed to a proliferation of special charges and unreformed taxes?

Answer

Although I am not clear what the Deputy means by 'unreformed taxes' I can confirm that the Finance and Economics Committee has a high level of commitment to the production of an integrated tax and spending strategy. The policies which the Committee proposes to implement to achieve this strategy include proper controls over the rate of growth of States' spending each year, and controls over spending which are consistent with expected States' income, in order to maintain the existing policy of balanced budgets. The Committee is also committed to a distribution of the overall tax burden which is fair and inclusive, whether through direct or indirect measures.

Producing such a policy is no easy task, as so many issues have to be taken into account externally as well as internally, including adequately resourced public services, maintaining the island's prosperity, and hence its tax base, developing a system which is just and fair, and addressing various international pressures. Nevertheless, having undertaken a huge amount of research, my Committee will soon be in a position to propose a short list of tax and spending options for consideration, in order to secure the Island's financial position for the foreseeable future. Measures currently under consideration to deal with 2004 need to be considered in the light of, and integrated into, these longer term proposals. The options are varied, and will need careful consideration, not just by my Committee but by all States' members and indeed the public as a whole, and I am committed to finding a way of involving the public more fully in this process.

Accordingly, this does not mean that there is no place for charges for public services, where appropriate. Indeed there are many existing examples where charges are currently made, either directly through ways such as postage stamps, electricity charges and fees for planning applications, or indirectly through Parish Rates. What is important is that these, together with taxes, are all borne in mind in looking at the total financial burden on each individual sector of the Island community, and that no one sector is unduly penalised (or favoured). Nonetheless, each member of the community should be expected to contribute something to that community, proportionate to his or her ability to pay.

In the meantime the States is living beyond its means, and action is necessary to restore the balance. To defer any action would be irresponsible. The Fundamental Spending Review gave the Presidents of the major spending Committees the opportunity to put forward their consensus view of the best method of achieving this balanced budget, whether by cutting services, finding efficiency gains or charging a realistic fee for services. On 30th June 2003, as a subsequent stage in the Resource Plan process, the Finance and Economics Committee will be running a seminar in which all States' members will have the opportunity to decide for themselves their preferred balance for cuts in spending, increases in charges and additional taxes, informed by the views of those Committee presidents. Subsequently, the States will have the formal opportunity in the 2004 Resource Plan to deliberate upon, and choose between, these options. In doing so, I hope they will also consider carefully the need to implement policies which will be sustainable, not just for 2004, but for the longer term.