

**QUESTION TO BE ASKED OF THE PRESIDENT OF THE FINANCE AND ECONOMICS  
COMMITTEE ON TUESDAY 24th JUNE 2003, BY SENATOR E.P. VIBERT**

**Question**

Would the President inform members –

- (a) of the number of Jersey residents, to whom consent to purchase property has been given under Regulation 1(1)(k) of the Housing Regulations on economic grounds, who paid tax in the year 2000 and 2001 and the total amount of this tax;
- (b) of the amount of tax paid by companies owned by such residents in 2000 and 2001;
- (c) as to what checks and controls are exercised over such residents once they have settled in Jersey to ensure that they continue to make a significant contribution to Jersey's economy in view of this being one of the requirements to be satisfied prior to such consent being granted; and,
- (d) of the steps that have been taken to ensure that tax avoidance and tax evasion are curtailed since the publication of the second report of the Fiscal Review Working Group, (R.C.37/99), presented to the States on 28th September 1999, which highlighted '*the loopholes discovered by the tax avoidance industry*' in Jersey.

**Answer**

- (a) I should like to start by saying that members should be aware that decisions concerning Regulation 1(1)(k) are made by the Housing Committee in consultation with the Policy and Resources Department. The Comptroller of Income Tax has contacted the Housing and Policy and Resources Departments to obtain details of all those Jersey residents who have been granted 1(1)(k) housing consents in the years since December 1970, the date this Regulation came into effect. Furthermore, it must be remembered that after 17 years' residence in Jersey, these individuals potentially cease to have 1(1)(k) status. Only when he has all those details can the Comptroller go through his files to determine which of all those 1(1)(k)'s who came to Jersey since 1970 are still resident here and paying tax for the years 2000 and 2001. It is necessary to do this so that a comprehensive and correct answer is given to this question, as some 1(1)(k)'s have died since coming to Jersey, others have left Jersey permanently and others who have been given consent have never taken up permanent residency in Jersey. The Comptroller of Income Tax estimates that it would take at least 3 weeks, perhaps more, to collate all this information and answer this question fully.
- (b) Once the Comptroller of Income Tax has verified the details referred to in (a) above, he could also deal with this question within the same timescales given above. The benefit of the answers to these parts of the Senator's question have to be weighed against the cost in time and manpower of their accurate determination. It might be more beneficial for the Senator to talk to the Comptroller of Income Tax to see if his concerns can be addressed more simply. If not, I shall give my replies to a future sitting of this House.
- (c) Once a 1(1)(k) becomes resident in Jersey, the Comptroller of Income Tax notes his or her file to ensure that a check is made, on a regular basis, that the 1(1)(k) in question is paying the tax contribution that was agreed. Unfortunately, in some cases the individuals granted 1(1)(k) consent have financial reverses or setbacks of one kind and another, which means that they are unable to pay their agreed tax contribution, although in some instances where this has happened the tax contributions have resumed. It must also be remembered that many 1(1)(k)'s make significant contributions to Jersey's economy in ways other than through tax revenues, such as in relocating business to Jersey which provides local employment, making substantial donations to local charities and supporting local sporting and recreational activities.
- (d) Tax evasion and avoidance have been addressed in the following manner –
  - (i) the Comptroller of Income Tax has an investigation programme in place whereby taxpayers who evade

their taxes are pursued and the back taxes they owe are recovered. Those who evade their taxes not only have to pay their back taxes but are also charged penalties and interest. In cases of serious fraud, the Comptroller prepares prosecution files for the attention of Her Majesty's Attorney General. In the last 4 years, over 1,100 taxpayers have been investigated and undisclosed income of over £31 million brought to light, with total tax, penalties and interest of £3.7 million brought into charge and collected. In addition, 7 taxpayers have been successfully prosecuted for tax fraud in the Royal Court since 1992;

- (ii) despite assertions by some members to the contrary, the States last year passed legislation to counter the effects of the misuse of 'benefits in kind'. Although it has only recently come into effect, the effects are already noticeable, and are being factored into predictions of future tax revenue. This legislation will ensure that those who previously managed to avoid paying tax on these 'benefits in kind' will now be taxed on many of those benefits;
- (iii) the Comptroller of Income Tax has allocated a dedicated officer to tackle the evasion and avoidance perpetrated by some company directors who control their own companies. That officer ensures that any directors fees claimed in the company accounts are commensurate with the duties carried out, rather than, as in some instances in the past, the directors fees claimed having no relation to the amount of work actually carried out; and,
- (iv) the proposed revision to interest tax relief, which I have just announced, will ensure that those who reduce their tax bills by claiming interest tax relief on loans and overdrafts to purchase assets such as yachts, aircraft and second homes outside Jersey, will no longer be able to get such tax relief.

I should like to correct the possibly misleading implication that R.C. 37/99 was chiefly concerned with issues of tax avoidance. It was a well-researched and balanced review of the whole of the Island's fiscal system and policies, presented by the Finance and Economics Committee, and we shall continue to refer to it in the course of our current fiscal review. In particular I should like to remind members, particularly new members who may not have read it, that the authors of the report, set out the following guidelines –

- (i) looking at fiscal policy in the round and not adopting individual fiscal measures in isolation;
- (ii) considering the proposals in the report as a package and not individually;
- (iii) fiscal policy being seen as part of a long-term strategy for the Island;
- (iv) resisting the temptation to engage in ad-hoc decisions unconnected with and therefore likely to be in conflict with the underlying long-term strategy;
- (v) considering any fiscal measures which might be proposed by others within the framework of the report as a whole; and,
- (vi) engaging in a comprehensive dialogue with all those likely to be affected by any of the measures referred to in the report.