

**QUESTION TO BE ASKED OF THE PRESIDENT OF THE FINANCE AND ECONOMICS
COMMITTEE ON TUESDAY 11th MAY 2004,
BY DEPUTY G.C.L. BAUDAINS OF ST. CLEMENT**

Question

In an answer to a recent question regarding proposed new tax measures, the Vice-President stated '*it is a condition that a 1(1)(k) resident who takes up residence on economic grounds must pay an agreed amount of tax every year*'.

Will the President advise members what action, if any, is taken when such a resident's contribution falls substantially below that level, either through declining income or by re-arrangement of his/her affairs?

Answer

The Comptroller of Income Tax regularly checks the files of 1(1)(k) residents to ensure that the agreed tax contribution is paid and, in the vast majority of cases, the 1(1)(k) in question pays the tax that he/she has agreed to pay, either through the medium of a trust, a company or in his/her personal Income Tax Notice of Assessment.

The Comptroller currently has seven 1(1)(k)'s under investigation for failing to pay the agreed amount of their tax contribution. He has written to all of them, or their professional advisers, asking for an explanation.

A number have suffered financial reverses due, amongst other things, to the substantial fall in the UK Stock Market in the last few years, albeit with a rise in the last few months, to the lowest interest rates for some 40 years and, for some, to some specific business setbacks. In such cases, the Comptroller will typically ask the 1(1)(k) to either write to the Chief Executive of the Housing Department or, alternatively, give the Comptroller the written authority to discuss the 1(1)(k)'s changed circumstances with the Chief Executive of the Housing Department, so that an agreed position is taken as to the 1(1)(k)'s revised tax contribution.

There is no financial limit set out in Regulation 1(1)(k) so it is possible to agree a revised tax contribution where the circumstances warrant such a change.

Some of the 1(1)(k)'s under investigation have yet to reply fully to the Comptroller's enquiries and one has steadfastly refused to explain his changed circumstances or engage in correspondence with the Comptroller. In that particular case, the Comptroller has written to the professional adviser informing him that a Royal Court summons is likely to be issued for recovery of the agreed tax contribution unless an explanation is forthcoming. The professional adviser and the 1(1)(k) has still to respond to the Comptroller on the matter.

I would like to reiterate, however, that over 95% of 1(1)(k)'s do continue to meet their agreed tax contribution and benefit Jersey in other ways, such as providing local residents with employment, the giving of charitable donations, spending in local shops and restaurants and the purchase of property which is well outside the reach of local residents.