

**QUESTION TO BE ASKED OF THE PRESIDENT OF THE FINANCE AND ECONOMICS
COMMITTEE ON TUESDAY 25th MAY 2004, BY DEPUTY G.P. SOUTHERN OF ST. HELIER**

Question

Would the President inform members whether the Committee will undertake to seek a legal opinion from the Law Officers' Department on whether existing income tax arrangements with 1(1)(k) residents can be renegotiated?

Answer

The Committee is prepared to seek a legal opinion from the Law Officers' Department on this matter. However, even if the existing income tax arrangements can be renegotiated it is questionable whether this is an appropriate thing to do because the Comptroller of Income Tax and the Housing Committee will, in effect, be deliberately attempting to breach agreements reached in good faith with those who have been granted 1(1) k status on economic grounds from 1970 to the present time. Proposing to renegotiate upward would almost certainly not be an honourable course of action to take and could also lead to great uncertainty in the minds of 1(1) k's which, in turn, could lead to migration to other jurisdictions which may well be only too happy to accept them. In any case, quite a number of 1(1) k agreements include an annual uplift in tax contribution. There will also occasionally be exceptional circumstances when, for a valid reason, a tax contribution lower than the agreement is accepted.

Retrospective legislation or actions which seeks to change the law and practice that has existed for very many years is not a course of action which either the Finance and Economics Committee or the Housing Committee wish to adopt or follow. The tax take from 1(1) k's is approximately £10 million, so they make a significant contribution to tax revenues and it may, for that reason alone, be a prudent course of action to try and attract more of them to Jersey. If we attempt to renege, at a later date, on agreements reached in good faith then it is unlikely many, if any, will come here, with the result that the taxes on the resident population will increase.