

**WRITTEN QUESTION TO THE PRESIDENT OF THE FINANCE AND ECONOMICS COMMITTEE
BY DEPUTY G.P. SOUTHERN OF ST. HELIER**

ANSWER TO BE TABLED ON TUESDAY 28th SEPTEMBER 2004

Question

Further to questions asked on 11th May 2004, regarding the ability of the Comptroller of Income Tax to rule on cases of tax avoidance under Article 134A of the Income Tax Law for the full year to April 2004, would the President inform members –

- (a) what types of transaction were wholly or partly counteracted under the Article?
- (b) if all the transactions had been wholly counteracted, how much extra tax would have been collected, and how much extra tax was actually collected?
- (c) why the distinction is made between total value and profits?
- (d) what proportion, if any, involved roll-up funds or similar revenue-to-capital transfers?
- (e) what proportion of these transactions and of their value involved financial service companies, private individuals and single director/shareholder companies? and,
- (f) what factors distinguish those which were counteracted from those allowed?

Answer

- (a) All the transactions, apart from one relating to a potential charge on property development, related to taxpayers either attempting to switch out of income producing assets such as bank accounts, the interest on which is taxed, into roll-up funds or similar structures or, to taxpayers who had acquired a capital sum, for example, from an inheritance, a property sale, a matured life assurance policy or a lump sum paid upon retirement, and which the taxpayer wanted to place wholly or partly into a roll-up fund or similar structure.
- (b) The total tax that would have been collected if all the transactions had been wholly counteracted is estimated at some £300,000 and the extra tax collected due to the transactions being counteracted is estimated at some £140,000. The one transaction involving a potential charge on property development is currently under appeal and has not been settled. The tax charged in that case is currently £1 million.
- (c) Value is used when assessing the total monetary amount to be switched from an income producing source into roll-up funds or similar instruments and profit is used when it is a trading transaction.
- (d) All the transactions, apart from the one relating to a potential charge on property development, related to switches from income or potential income producing assets to roll-up funds or similar instruments.
- (e) All were private individuals. None were financial service companies. No records were kept of the particular status of the private individuals involved and it would entail a great deal of time and effort to go through all these files again to answer this question at what is a particularly busy time for the Income Tax Office.
- (f) Each case is looked at individually as to the size of the transaction and the value of the transaction as compared to the individual's other income bearing capital worth and a judgement made accordingly as to whether or not to counteract under Article 134A.