

**WRITTEN QUESTION TO THE MINISTER FOR ECONOMIC DEVELOPMENT
BY DEPUTY G.P. SOUTHERN OF ST. SAVIOUR**

ANSWER TO BE TABLED ON TUESDAY, 28th FEBRUARY 2006

Question

- (a) Will the Minister state whether he supports the decision to abolish the economic benefit test made by the former Economic Development Committee on 13th October 2004 (as referred to in a written answer tabled on 14th February 2006 by the Minister for Treasury and Resources) and will he set out for members the grounds on which his position is based?
- (b) in the absence of these economic benefit test minima, what mechanisms, if any, are available to the Minister to prevent non-local principals acquiring or setting up non-finance businesses in the Island which produce little or no tax revenue for the Island while taking up labour and office resources?
- (c) would the Minister explain whether the decision to abolish the economic benefit test supports the Fiscal Strategy to maximise tax returns to fill the tax losses resulting from the 0/10 policy?
- (d) will the Minister explain in particular how he intends to apply this decision to the fulfilment industry?

Answer

- (a) The former Economic Development Committee agreed that applications for Regulation of Undertakings and Development approval should be treated on their own merits and that it should have regard to a balance of factors including, but not limited to, the creation of job opportunities and the continued training of the local workforce, service diversification and stature.

New businesses would still be required to provide estimates of their likely tax contribution to the Committee when submitting an application.

I support the view of the previous Committee that the strict application of the economic benefit test was not in the interests of the development of the economy. The economic benefit test was generally applicable to the financial services sector. I will continue to have regard to direct taxation estimates. However, other factors as identified in the Regulation of Undertakings and Development policy statement will be taken into account.

In the future I intend to work with the Housing Minister to ensure that, not only is the Regulation of Undertakings and Development Law applied in a manner best calculated to ensure economic growth, but this strategy is run in parallel with the Housing Ministers application of the Housing Law.

- (b) Any person, be they local or non-local, requires a licence under the Regulation of Undertakings and Development (Jersey) Law, 1973, as amended to commence a trade, business or profession in the Island. In considering applications, I am required, under the Law, to have regard to the need to regulate and manage demand on resources of Jersey and to protect the commercial and financial integrity of Jersey in commercial and financial matters. In addition, also to have regard to the Population and Immigration Policy recommendations adopted by the States in November 1997 and the States Strategic Plan 2005. A policy document sets out the criteria considered in deciding upon applications. Licences are granted either unconditionally or subject to such conditions as appropriate.
- (c) The important point underlying the need to move to zero ten is not only compliance with international requirements but the reality of increasing tax competition from other similar jurisdictions. These changes were debated at length in last year's fiscal strategy debate and we need to support high skilled, high salaried jobs to secure our future prosperity. Going forward, the Regulations of Undertakings needs to reflect this changing situation. Abolition of the economic benefit test is entirely consistent with the fiscal strategy as we

need to assess not only direct corporate tax yield but indirect yield too.

- (d) It is important to understand that there are differences between the way in which Regulations of Undertakings has been applied to different sectors of the economy. The States has expressly approved policies likely to see economic diversification in the economy. The island benefits from high value on line retailing which is satisfied by fulfilment services companies. A policy for the fulfilment sector was produced in August 2005 and a revised policy will be issued shortly.