

## **2.2 Deputy G.P. Southern of the Minister for Treasury and Resources regarding measures envisaged to prevent the loss of tax revenues through the takeover of Jersey-owned non-finance companies:**

In the absence of any mechanism to tax non-Jersey domiciled beneficial owners of non-finance companies under Zero/Ten what measures, if any, does the Minister envisage to prevent the loss of tax revenues through the takeover of Jersey-owned non-finance companies, and how will these operate in practice, and has the Minister taken legal advice on consequences of any unequal treatment of local and non-local companies?

### **Senator T.A. Le Sueur (The Minister for Treasury and Resources):**

It is not necessarily correct to say that there will be no mechanism to tax non-Jersey owned, non-finance companies once the Zero/Ten corporate tax comes into force. While it is true that the RUDL (Regulation of Undertakings Development Law) charge relating to the takings charge has been rejected I am still actively considering whether a revised Blampied proposal has merit and is worthy of legislating and implementing. In that respect the Corporate Services Scrutiny Panel and I have recently received further advice from Judith Blampied. The major difficulty with the original proposal is that according to advice commissioned by the Scrutiny Panel and U.K. tax experts, any Jersey tax paid on such a deemed rent would not be creditable against U.K. tax suffered. The Comptroller of Income Tax is now actively seeking a further opinion as to whether Jersey tax payable under the revised proposal would be creditable, and if not, what corporate structures might be put into place and whether they would be practical from a commercial and business perspective to achieve tax credit status in the U.K.. I will, of course, share my conclusions with the relevant Scrutiny Panel and with the Assembly later in the year, but the priority at this time is to ensure that the Zero/Ten shareholder taxation provisions are approved. I have not taken any legal advice on this matter, any government, including this Assembly, has a very wide jurisdiction indeed and a great degree of latitude to set taxation policies. I have no doubt that the fiscal strategy we have in place fulfils all of the criteria.

### **2.2.1 Deputy G.P. Southern:**

Is the Minister aware of any legal advice which has been taken by the Economic Development Minister and his department on the capacity of the Regulations of Undertakings beneficial ownership clause to, in fact, restrict the takeover of local companies by non-local companies?

### **Senator T.A. Le Sueur:**

No, I am not aware of any legal advice taken by the Minister.

### **2.2.2 Deputy P.J.D. Ryan of St. Helier:**

Is the Minister aware that this particular issue is likely to lead to increasing levels of aggressive tax planning by locally owned companies, specifically because of the, generally felt to be, unfair position that they are going to, or could be placed in as a result of Zero/Ten and this particular issue?

### **Senator T.A. Le Sueur:**

I suspect that locally based companies will have difficulty in tax planning in the future when their tax rate is zero. The shareholders of those companies may well do so, and that is something we have to take great care of, and that is why, despite all the obstacles, I am still pursuing alternative routes in order to try to minimise any disparity between local and non-resident shareholders.

### **2.2.3 Senator J.L. Perchard:**

Does the Minister agree that the last line and a half of the question is in fact misleading in that all companies, local or non-local, will be treated equally?

### **Senator T.A. Le Sueur:**

Yes, the question could be misleading, but I think it relates to the consequences of the treatment rather than the treatment itself.

**2.2.4 Deputy G.P. Southern:**

Could the Minister state (a) how long he has been aware of the revised Blampied proposals which, as far as I am concerned, were presented at least 4 months ago, and can he give a date when he might get back to the House with his conclusions, and secondly, in the absence of being able to formulate any working proposal --

**The Deputy Bailiff:**

One question, thank you.

**Senator T.A. Le Sueur:**

The latest document I received from Jurat Blampied was dated last week, I do not know the exact date, but certainly in the last 7 days. When I will come to a conclusion is when I have satisfied myself, when the Scrutiny Panel have also been satisfied that those proposals have merit.

**2.2.5 The Deputy of St John:**

Sorry, I am asking another question as an Assistant Minister but I wonder if the Minister could advise the House as to what approximate loss of revenue does he anticipate from non-locally owned companies that the Treasury may not receive due to these policies?

**Senator T.A. Le Sueur:**

Well, I am glad the Deputy uses the word "approximate" because we cannot be certain but the current estimate is between £5 million and £7 million a year.

**2.2.6 Senator J.L. Perchard:**

Would the Minister inform the Assembly whether it is an option to ask non-locally owned companies whether they would opt to pay tax in Jersey?

**Senator T.A. Le Sueur:**

It is an option and I would be surprised if I got very many affirmative replies to that, particularly when the Jersey companies themselves would not be paying tax, but certainly it is an option.

**2.2.7 Deputy G.P. Southern:**

Will the Minister return to the House with information to back up his estimate of £5 million to £7 million from this particular mechanism when his original estimates for the loss from non-finance companies was around £30 million?

**Senator T.A. Le Sueur:**

Yes, my officers are tasked at the moment with reassessing all the contributing factors to the fiscal deficit, including that from the loss of tax by non-resident shareholder of those companies, and I will be presenting those updated findings when I bring the shareholder tax regulations back to the House in the autumn.