

### **3. Questions to Ministers Without Notice - The Minister for Treasury and Resources**

#### **3.1 Deputy S. Pitman of St. Helier:**

Would the Minister advise the House how many 1(1)(k)s are presently in the Island and how their income tax is negotiated and monitored by the department?

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

I do not know the number of 1(1)(k)s in the Island although we know the number that are approved each year, we do not know when (k) residents leave the Island. So any figure would have to be very approximate. As far as the tax receipts from them are concerned, that is now a matter of the Income Tax Law and under the Income Tax Law they are obliged to pay Jersey tax on all their Jersey income for the first million pounds of income at the rate of 20 per cent, thereafter for the next half million it is 10 per cent and thereafter it is at a reduced rate of one per cent if my memory is correct.

#### **3.1.1 Deputy S. Pitman:**

Would the Minister provide the approximate amount that he has just mentioned of 1(1)(k)s; would he endeavour to find and publish that information for Members?

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

I will endeavour to produce and publish an estimate of the current number of 1(1)(k)s in the Island for the benefit of Members although I also draw Members' attention to the fact that after a 1(1)(k) resident has been in the Island for a number of years they would achieve residential qualifications in their own right.

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

I am tempted by a supplementary on the last question, but never mind. In response to my written question today the Minister for Treasury and Resources has estimated at £16 million the loss due to the move to Zero/Ten of income revenue from international business companies. Can he state how it is that a reduction of rate by 50 per cent from 20 per cent to 10 per cent can produce only a reduction in income of 25 per cent, around a quarter? What is the tax situation for I.B.C.s (International Business Companies)? What will the tax situation be on Zero/Ten? What effective tax rate are I.B.C.s currently paying?

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

A number of questions rolled up together there. But certainly international business companies come in a variety of shapes and sizes and there is no one standard average rate of tax paid by companies. Each company will have its own particular effective rate. Because that rate will be less than 20 per cent but more than zero, then clearly when a regular rate of 10 per cent comes in the tax receipt will vary accordingly. As far as the timing is concerned, as the Deputy is probably aware, any new I.B.C.s are no longer able to be produced, but existing I.B.C.s can continue in existence until 2011. So the revenue from them will disappear gradually and the tax that they are paying now under the I.B.C. regime will be replaced by tax at the flat rate of 10 per cent thereafter.

#### **3.3 Deputy K.C. Lewis of St. Saviour:**

Goods and Services Tax again I am afraid, Sir. As Members are aware, Sir, road fuel comprises of 3 components; the fuel itself, the impôts duty and the Jersey road tax. Will the Minister inform Members why Goods and Services Tax is charged on all 3 elements?

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

It is commonplace that Goods and Services Tax, like any consumption tax, is charged on the final selling price of any goods which includes, as the Deputy says, the cost and the duty and the profit element which is charged by the garage. All of those are part of the components of the

cost and all those components are eligible and liable to G.S.T. as they would be elsewhere in the world. Our regime is no different from that elsewhere.

### **3.3.1 Deputy K.C. Lewis:**

Supplementary, Sir? To put G.S.T. on the road fuel and the impôts duty and the road tax is surely triple taxation and is surely immoral and possibly illegal. Does the Minister not agree? I may also have an opinion from the Attorney General, if you will oblige, Sir?

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

Firstly, Sir, I do not believe that there is any element of road tax in the cost of fuel. The cost of fuel comprises the raw material, the impôts duty on it, the profit margin of the garage and then, now from 6th May, the G.S.T. I do not regard that as illegal. Those laws, both for the impôts duty and the imposition of G.S.T., were passed by this House and I have full confidence that they are totally legal. If the Attorney General wishes to amend my view...

### **3.4 Deputy R.G. Le Hérisier:**

Would the Minister not acknowledge that he has replaced thought for the day with exemption for the day? Having spread considerable confusion and despondency among the population with his exemption policy, could he inform us what other exemptions he has up his sleeve?

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

I have no exemptions up my sleeve. What we are doing is responding to genuine public concern at the introduction of a new tax in respect of details around that tax. I have always tried to make it clear that it is unlikely we have got the tax absolutely spot-on in the first day and it is as tax gets used and devolves we will find areas in which it needs to be revised. Although that major revision will take place in the autumn once the tax has been set in for a few months and settled down, but I will tell you some immediate issues which I felt would be unwise or unrealistic and maybe unfair on consumers to wait until that time. One such item is the provision of goods for people with disabilities and when this was brought to my attention I raised it urgently with the G.S.T. Department and officers concurred with the view that we should do something straight away. When these occasions arise my view is that it should be dealt with sooner rather than later in the interests of the consumers.

### **3.4.1 Deputy R.G. Le Hérisier:**

Supplementary, Sir? Would the Minister not accept some of these arguments apply to exemption from G.S.T. for food price?

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

I think, Sir, the exemptions that we are talking about in terms of the directions which the Comptroller of Income Tax has allowed to apply are very much at the margins of policy where there are to some extent grey areas. For example, goods for the disabled - medical supplies as well as being vehicles. So there are grey areas in which the Comptroller has discretion. In terms of general policy on G.S.T. that is a matter for this House to decide and we will decide that, as I say, once we have had a review of G.S.T. which will take place in some months' time once the tax is bedded into place. It may well be that the Deputy could then raise his issues at that time.

### **3.5 Connétable D.J. Murphy of Grouville:**

I am very grateful to the Minister for his quick movement on the raising of G.S.T. on the disabled vehicles, but the announcement he made this morning, I think, said electrical vehicles. Well, could he please confirm that it would also include specially adapted petrol/diesel vehicles as well?

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

I did not use the word electric vehicles, that was used by the media, but I can confirm that it applies to any vehicles which are used by people who are disabled.

### **3.6 Senator L. Norman:**

This morning the Minister lodged the proposition P.68 which, if adopted, would require the States to pay Parish rates but this would be balanced by an increase in the Island-wide rate. This would mean the rate payers of St. Helier would be significantly better off, the rate payers in St. Saviour would be marginally better off and the rate payers of the 10 other Parishes would be significantly worse off. Does the Minister consider this to be fair and equitable?

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

The issue of the States paying Parish rates is not a simple matter as the report of the working party makes quite clear and there is, on the one hand, the desire for equity that the States would be treated just like any other property owner. The reality is, Senator Norman rightly says, that it will shuffle the revenue and expenses around and that there will be certain winners and certain losers. That is a decision which ultimately this House will have to make, Sir, and that is why I have lodged the proposition for discussion and in due course the House will decide whether this is a good idea or not.

### **3.6.1 Senator L. Norman:**

The Minister did not answer my question. Does he consider his proposition and the effect of his proposition to be fair and equitable?

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

On the one hand, yes, Sir, and on the other hand, no. **[Laughter]** It replaces one inequity by another potential inequity.

### **3.7 Deputy C.J. Scott Warren:**

Can the Minister explain to Members how monies that were already allocated from a car park trading account in 2002 by the then Public Services Committee to bring forward the provision of a pedestrian crossing can then become subject to the Public Finances (Jersey) Law 2005 which I understand does not allow monies for pedestrian crossings or pedestrian facilities to be taken from the car park trading fund? Is it possible, please, to have this explained?

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

That sounds like a matter of interpretation of laws which I am not prepared to give an answer off the cuff. It strikes me that if a new law comes in which supersedes an existing law then the new law takes precedence and if the Public Finances (Jersey) Law 2005 did make that change - and I cannot confirm at the moment whether it did or not - then that is a consequence which perhaps was unforeseen but unfortunately now does exist.

### **3.8 The Deputy of Grouville:**

In a written answer this morning, the Chief Minister wrote that incoming (j) cats. outnumber leavers by 2 to one and it was revealed in an answer previously given by the Deputy Chief Minister that there is no monitor for (j) categories leaving the Island. Would the Minister not agree - or Deputy Chief Minister not agree...

### **The Bailiff:**

Deputy, is this a question for the Minister for Treasury and Resources?

### **The Deputy of Grouville:**

Oh, is he the Minister for Treasury and Resources now? **[Laughter]** Okay, so I will wait for the next quarter of an hour, shall I? Okay.

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

Just quite distracted there. The Minister, in his answers to my earlier written question, suggested that tax return of £138.9 million from the finance sector on a basis of profits approximately £1,054 million, but he says that the figures are derived on 2 different data bases and therefore his wording says: "The average tax rate would be expected to approximate to 12 to 14 per cent." Is the Minister really saying to Members that he cannot state what the average tax rate is for the finance sector in this Island based on profits declared? He must know the profits declared, he must know the tax coming in, will he state categorically what the average tax paid by the finance sector is?

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

I can certainly give a mathematical answer to the Deputy and the mathematics as he explained them are very simple. But the difficulty with giving a simple mathematical answer is that there is a danger that it is misleading and misunderstood. I would not want the Deputy or other Members of the House to misunderstand the accuracy or the content of a simple figure which says a mathematical average is whatever it is - 12.735 per cent - when the reality is that the information is created from a variety of sources from a variety of businesses paying tax at different rates and it is very difficult to get one meaningful figure. So, I think my answer was designed to ensure that Members did not read too much into one particular figure.

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

If I may, a supplementary, Sir? The Minister has failed to answer my question. Is he saying that in terms of macro economics, he cannot give a figure on average for what the finance sector is paying to his coffers? Because he can certainly do that for individual tax payers on average on marginal rates and on maximum rate.

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

In terms of macro economics, I could give a figure subject to a range of error. If the Deputy wants to have that figure he could have it, but I suspect it is not particularly meaningful and the figure would probably be something like 13 per cent plus or minus one per cent.

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

The Minister has accepted in time past that under Zero/Ten locally owned companies trading on Island will be disadvantaged compared to those non-locally owned companies trading in Jersey and has agreed to look to bring some proposals forward on a deemed rent principle. Can the Minister update the Assembly as to when he will be firming-up on these proposals and bringing them forward to the House to be debated?

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

Yes, Sir, I think I previously indicated that I propose to bring forward those proposals in the budget in December, the 2009 budget as part of the Income Tax Amendments at that time.