

4.13 Deputy T.M. Pitman of St. Helier of the Minister for Treasury and Resources regarding the proposed deemed rental charge:

In the light of his Assistant Minister's statement that he is lobbying against the proposed deemed rental charge, what is the Minister's position on this? How does he propose to ensure a level playing field for locally-owned businesses and will he give a guarantee that it will not be ordinary working people who end up being taxed to make up the £5 million shortfall?

Senator P.F.C Ozouf (The Minister for Treasury and Resources):

I am still considering the arguments for and against the deemed rental charge. On the one side there are arguments that non-finance, non-Jersey-owned businesses trading in Jersey no longer pay tax to Jersey under the Zero/Ten corporate tax system. On the other side - and this is where my Assistant Minister, and I agree with him, has concerns with the deemed distribution charge - it will mean that non-Jersey non-finance companies pay Jersey tax in addition to their U.K. tax. I am alert to the arguments that many of these concerns or undertakings could be termed as price setters, and there is a risk of the unintended consequence that their costs would go up and prices would rise. There are also real issues about the disincentive issue of investment potentially in Jersey. Let us be clear. There are strong arguments on either side of this argument. I will make a final decision when I have heard from the Scrutiny Panel.

4.13.1 Deputy G.P. Southern:

Will the Minister not recognise that H.M. Treasury in the U.K. will, in all probability, take one look at this deemed rental charge and state clearly that it is unacceptable tax avoidance as far as it is concerned, because that is the reality that the deemed rental charge will not work at all.

Senator P.F.C Ozouf:

I am examining those issues and I am not sure that I can agree with the interpretation or the view of H.M. Treasury.

4.13.2 Deputy M.R. Higgins of St. Helier:

I am surprised by the Senator's comments regarding some of the firms who are operating in the Island. In the retail field, for example, there are firms that are basically ripping-off the Jersey consumer by charging U.K. V.A.T. (Value Added Tax) in addition to G.S.T. (Goods and Services Tax). What is he going to do about that if he is not going to bring this measure in?

Senator P.F.C Ozouf:

I would remind the Deputy before he came into the Assembly of the important issue that I as Minister for Economic Development put through, which was to ensure that there was inclusive pricing on prices. I share the Deputy's concern but there is very little we can do about it apart from use the Consumer Voice and bring the public's

attention to the reality of it, but this has meant that with the imposition of G.S.T. in Jersey most of those businesses and companies do charge inclusive V.A.T. prices. At least with the inclusive pricing regime, that 3 per cent is now going to the Jersey Treasury.

4.13.3 Senator S. Syvret:

It is plain that here we are in the year 2009, and the Minister and his Assistant Minister still do not understand nor fully grasp all of the issues to do with such proposals as deemed rental or land value tax. Does he not now see the folly of him and other Members of the Assembly in fact voting against a comprehensive public analysis of all of these options which I put to the Assembly in 2004?

Senator P.F.C Ozouf:

Senator Syvret attempts on numerous occasions in this Assembly - and I am seeing this also with the incinerator debate - to reinvent history. This Assembly considered at considerable length, in considerable detail, the arrangements for Zero/Ten, et cetera, and I am afraid to say that I am not going to allow him to get away with the suggestion that this Assembly did not consider the full advice of all the issues concerning Zero/Ten and the arrangements. I would say to him that we are facing incredibly difficult economic times. However, the Jersey economy and the Jersey exchequer is in an incredibly strong position because of the decisions we have taken under Zero/Ten and all the other economically informed decisions that this Assembly has made.

4.13.4 Senator S. Syvret:

The fact remains a vast range of options were available for discussion in the proposition I put before the Assembly in 2004. If they had, as the Minister asserts, all been examined, where are they? Where is the detailed public analysis of land value tax? The fact is there was a huge raft of potential issues there that he and other Members of the Assembly voted against even examining.

Senator P.F.C Ozouf:

This is nonsense. Regarding the arguments for Zero/Ten, I am sure that the papers that this Assembly and Scrutiny Panel considered would go from the bottom of your chair to the top of the railing. There were extensive investigations with alternatives, and Zero/Ten and the arrangements of tax that this Assembly approved remain to be the right forms of tax and the right revenue-raising areas for Jersey. He calls into mind land value tax and capital gains tax, a long repetitive refrain of his. I am afraid to say that the reality is that those taxes would not raise even nearly enough money in order to deal with the black hole that emerges as a result of Zero/Ten.

4.13.5 Senator S. Syvret:

Will the Senator then undertake to publish the detailed studies of those particular options?

Senator P.F.C Ozouf:

They are in the public domain.

4.13.6 Senator S. Syvret:

Where? Could the Senator name them, please? He cannot, because they do not exist.

4.13.7 Deputy R.G. Le Hérissier:

Would the Senator confirm that he and his Assistant are having considerable difficulties with deemed rental? What other alternatives do they have available in order to bring a level playing field back to the situation for local businesses?

Senator P.F.C Ozouf:

I am concerned about the unintended consequences of deemed rental, and I am afraid it is too early for me to conclude. I want to hear from the Corporate Affairs Scrutiny Panel on their views. I value their views. It was the previous panel that alerted us to the potential issues and asked to call it in. If they opine on the issue of deemed rental that it is not possible because of the unintended consequences, we are going to have to look at alternatives, but we are not quite there yet.

4.13.8 Deputy G.P. Southern:

Will the Minister for Treasury and Resources not accept that the consultation process run by his predecessor was merely an exercise in opinion management, and that Zero/Ten was and remains seriously flawed and hence this desperate scramble that he is going through to find other ways of raising tax revenue?

Senator P.F.C Ozouf:

I refute again such suggestions. Zero/Ten was discussed at length. It is also the arrangement that has been put in the Isle of Man and Guernsey, and there is no scrabbling around to find alternative revenue streams. But the world is in crisis. Tax revenues on authorities and nations around the world are plunging. However, we are in a fortunate position, having made thoughtful, foresighted decisions about our tax raising situation; we have the Stabilisation Fund which will take us through very choppy waters that other nations are having to deal with by borrowing and all the rest of it. No, we are in a much better position than most other places because of the foresight of my predecessor.

4.13.9 Deputy G.P. Southern:

Why, then, is the Minister still scrabbling around looking at deemed rental 18 months after it was first proposed?

Senator P.F.C Ozouf:

As far as deemed rental is concerned, the reality is that there is an issue about non-Jersey, non-finance companies, and we are attempting to find a realistic and implementable mechanism in order to deal with that perceived and very real unfairness. We continue to work and we strive to find a solution to that issue.

4.13.10 Deputy G.P. Southern:

Is that not the case that Zero/Ten is fundamentally flawed?

Senator P.F.C Ozouf:

Of course not, Sir.

The Deputy Bailiff:

Deputy Pitman, do you wish to ask a final supplementary or not?

4.13.11 Deputy T.M. Pitman of St. Helier:

I would just like to know if his Chief Minister has full confidence in the Minister's ability to find such a solution, because they seem to be of widely differing opinions.

Senator P.F.C Ozouf:

The Chief Minister and myself are at one in wanting to find a solution on these non-finance, non-Jersey entities, and we will continue to work in order to try and find a solution that works. What I do not want to do is bring forward a proposal that has flaws in it: unintended consequences it is easy to avoid. Those are the real risks that members of the Scrutiny Panel have with the proposal that is before us. That is why Scrutiny is adding value and looking at these issues for us.

The Deputy Bailiff:

Very well. We will come next then to Question 17, but the Deputy of St. Mary is en défaut, so that falls away. We then come to question 18, which the Deputy of St. Martin will ask of the Chairman of the Privileges and Procedures Committee.