

## **2.8 Deputy T.M. Pitman of the Minister for Treasury and Resources regarding the annual income from 1(1)(k) residents from 2005 to 2007:**

Following your written answer on April 28th concerning the annual income from 1(1)(k) residents from 2005 to 2007, would the Minister provide a breakdown indicating the amounts paid by those residents accepted under the current taxation system, i.e. the 20 per cent on the first million, and those settling in Jersey under the older regulations, and indicate the number of residents in each category for each year in question? Sir, with your permission, could I ask that the Minister breaks with tradition and gives as long and as a full a response as possible?

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

Deputy Noel has specific responsibility for certain areas of tax and I will ask him to be the rapporteur for this question.

### **Deputy E.J. Noel of St. Lawrence (Assistant Minister for Treasury and Resources - rapporteur):**

The breakdown of the pre-2005 onward cases is as follows: 2005 tax paid £6.9 million, number of 1(1)(k)s 120; 2006 tax paid £7.5 million, number of 1(1)(k)s 118; 2007 tax paid £7.1 million, number of 1(1)(k)s 116. Post 2005, which are those 1(1)(k)s treated under Article 134A, because so few 1(1)(k)s took up residency in Jersey in 2005 and 2006, the Comptroller of Income Tax is of the opinion that he may very well breach his Royal Court oath of office of confidentiality, as well as the Data Protection legislation, if he releases the tax paid for the years 2005 and 2006 independently. But he is able to give a global figure for both years by combining these 2 years on a basis that the figures for 2005, 2006 and 2007 are as follows. 2005 and 2006 tax paid £816,000, number of 1(1)(k)s 13; 2007 £1.7 million, number of 1(1)(k)s 15. It must be remembered that 1(1)(k)s take up residency in Jersey during the tax year, so the tax they pay for the first year of residence is apportioned accordingly.

#### **2.8.1 Deputy T.M. Pitman:**

Could the Assistant Minister advise the Assembly as to his thoughts or his Minister's thoughts on any possibility of reassessing of some of the agreements under the older regulations or what problems would be faced if he were to do so?

#### **Deputy E.J. Noel:**

The Comptroller of Income Tax has sought legal advice on this matter and under that advice the advice is that we cannot go back and renegotiate the pre-2005 places.

#### **2.8.2 Deputy J.A. Martin:**

Just to refresh my memory ... it is not my memory; I do not know the answer. It seems a very big difference and probably for the better that we only had 15 or 16 1(1)(k)s. Was the threshold between these years lowered at all for people coming in? I know you have to have X amount of money. I am not sure what that amount of money is. But we have either been very lucky, or, as I say, I would have imagined the threshold would have been lowered.

#### **Deputy E.J. Noel:**

Jersey is a very competitive international marketplace for rich immigrants. The minimum tax paid for a person to get a 1(1)(k) housing licence in Jersey is £100,000

per year. Switzerland has a one-off rate which used to apply in Jersey pre-2005, based on a person's outgoings, not their income. An average of £35,000 per year is paid in Switzerland. The United Kingdom has introduced a non-dom, which is non-domiciled rules, for immigrants into the U.K. where they pay £30,000 per year. So Jersey has chosen a very much higher premium than either Switzerland or the United Kingdom.

### **2.8.3 Deputy J.A. Martin:**

Supplementary - but did it change in these 2 years? Was the threshold of £100,000 less or more than that before that? That was really the question.

### **Deputy E.J. Noel:**

Since 2005 Jersey has had a minimum for new 1(1)(k)s coming to the Island to pay a minimum amount of tax of £100,000.

### **2.8.4 Deputy C.F. Labey of Grouville:**

Did I understand the Assistant Minister correctly when he said that we cannot renegotiate the 1(1)(k) tax rate but obviously we can renegotiate ordinary residents' tax rates at any time?

### **Deputy E.J. Noel:**

The legal advice that the Comptroller of Income Tax has received would indicate that we cannot go back and renegotiate deals that have been made prior to 2005.

### **The Deputy of St. Martin:**

Could we ask the Assistant Minister if maybe he could look at that with a view to achieving equality throughout the tax-paying residents of Jersey?

### **2.8.5 Senator S. Syvret:**

In these discussions of 1(1)(k) residents it is always asserted that they contribute a substantial amount of money in taxation receipts and also it is asserted that they contribute in ways of greater added value to the community in other ways. Frankly, I have never seen any evidence to that effect. On the contrary, I have seen a good deal of evidence that could be used to argue that they have a net disbenefit on the Island in many respects. Will the Assistant Minister undertake to co-operate with the relevant Scrutiny Panel so that a factual evidence-based analysis of the cost benefit of 1(1)(k) tax exiles be undertaken?

### **Deputy E.J. Noel:**

I can simply assert that we are currently carrying out a review of the 1(1)(k) situation to see if there is any possible way that we can open up negotiations with 1(1)(k)s that arrived here pre-2005.

### **Senator S. Syvret:**

That was not the question I asked about renegotiation. I asked if the Assistant Minister would give an undertaking that his Minister and his department would, in co-operation with Scrutiny, undertake a detailed evidence-based cost benefit analysis of the benefits or otherwise of 1(1)(k)s to Jersey.

### **Deputy E.J. Noel:**

I would be delighted to do so.

### **2.8.6 Deputy P.V.F. Le Claire:**

I am certain I am not the only that is not completely *au fait* with this subject. I have asked many questions over the years. But can I ask the Assistant Minister this? Am I right in thinking that a 1(1)(k) can come into Jersey on the agreement that they pay £100,000 a year in tax but after the first year renegotiate that downwards if they are not ... they have to pay every year £100,000 a year in tax?

#### **Deputy E.J. Noel:**

Deputy Le Claire is correct. They have to pay a minimum of £100,000 per year in tax.

### **2.8.7 The Deputy of St. John:**

Would the Assistant Minister accept that 1(1)(k)s are, in fact, of benefit to the Island, given that they give employment, whether it be in the building industry, whether it be gardeners, housekeepers, *et cetera*, and therefore there is a benefit accrued to the Island long-term and they are not a leach on the Island's back, as some people might be trying to say?

#### **Deputy E.J. Noel:**

I agree wholeheartedly with my learned Deputy. The 1(1)(k)s give hopefully far more to the Island than merely tax.

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

Can the Minister confirm that the average 1(1)(k) is currently paying around 6 and a half per cent tax compared to 8 per cent tax for those on marginal rates - those just able to pay tax - and 14 per cent, on average, for the rest of us? Is he content that that situation will go on into the future?

#### **Deputy E.J. Noel:**

I cannot confirm that 1(1)(k)s do pay an average of 6 per cent tax because we do not know the full extent of their worldwide income, and, under the legislation, nor should we know.

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

Surely that figure of 6 per cent is on their declared Jersey income?

#### **Deputy E.J. Noel:**

1(1)(k)s pay 20 per cent of their declared Jersey income.

### **2.8.9 Deputy T.M. Pitman:**

Simply to ask: does the Assistant Minister accept that anyone who questions that we are hopefully receiving the tax that we should is not accusing people of being leaches on our community?

#### **Deputy E.J. Noel:**

For once I have to agree with Deputy Pitman. The 1(1)(k)s are not a leach on our community, far from it.