

3.18 Deputy M.R. Higgins of the Minister for Treasury and Resources regarding the latest estimate of the tax revenue lost to the Treasury since the Zero Ten Tax regime was adopted.

Would the Minister provide members with the latest estimate of the tax revenue lost to the Treasury since the zero/ten tax regime, whereby foreign-owned trading companies operating in Jersey pay no taxes in the Island, was adopted?

Deputy E.J. Noel (Assistant Minister for Treasury and Resources - rapporteur):

The best estimate of the tax lost is £7.2 million at best and £7.8 million at worst. This compares to an original estimate made some 3 years ago that the loss would amount to between £10 million and £12 million.

3.18.1 Deputy M.R. Higgins:

Does he feel that it is appropriate, therefore, for firms who are not in the Island, who are paying no taxes in the Island, to be charging V.A.T. (value added tax) in the Island and thus hitting the Jersey taxpayer in 2 ways: not contributing to the cost of the services that we are providing people, but also taking more money out of people's pockets?

Deputy E.J. Noel:

I believe that Islanders have a choice. They have a choice of where they buy their goods and services from. If people are going to be uncompetitive by passing on their costs from other tax usages then I am sure the Islanders are bright people and a Jerseyman is known to be careful with his money and will shop elsewhere.

[11:45]

3.18.2 Deputy G.P. Southern:

Is the Minister content that in his document he shows that income tax from companies now stands at 21 pence in every pound, whereas income tax for employees stands at twice that amount at 43 pence in the pound, when as recently as 2007 income tax from those 2 sectors - personal tax and company tax - was about equal? Is he content that that is a situation that his Council of Ministers and his Minister have brought about in the last few years?

Deputy E.J. Noel:

I am not quite sure where the Deputy gets his figures from.

Deputy G.P. Southern:

From your own documents. [Laughter]

Deputy E.J. Noel:

The tax regime has changed substantially over the last 3 years in the Island. Prior to the introduction of zero/ten, Islanders were effectively heavily subsidised by our finance industry. That industry has moved on to remain competitive outside of the Island and to protect our economy we have had to move along with our competitors. To quote a former Chief Minister, we are where we are.

3.18.3 Deputy M. Tadier:

Following on from Deputy Higgins, the Assistant Minister is quite right that local shoppers do have choice and one of those choices includes going to the internet,

buying stuff, products, from the U.K. which they can then have the V.A.T. knocked off. So will he take very seriously Deputy Higgins' suggestion that V.A.T. be looked at, those who are charging V.A.T. in Jersey, because ultimately people who want to shop face-to-face have to shop in Jersey, but it will be sad to lose business to the U.K., to non-local companies, simply because it is in the best economic interest of those shoppers.

Deputy E.J. Noel:

I believe that the Jersey public will shop where they feel they can get the best deal from, whether it be on the internet or locally. I had a personal experience where I could have bought some goods on the internet at far less than the marked-up price in the shops over here. I brought that to the attention of the shop owner and they matched the U.K. price. It is down to the individual to spend their money how they wish.

3.18.4 Deputy M.R. Higgins:

The Deputy mentioned that the zero/ten measures are brought in for competitive reasons with the other jurisdictions. As Guernsey is looking to go to a 10 per cent corporation tax and the Island of Man is likely to do something similar, will the Island follow them and raise corporation tax from these companies and try to restore Jersey's tax base and save the public from some of the cuts that are going to come?

Deputy E.J. Noel:

We as a government should not do any knee-jerk reactions. The code of zero/ten is being reviewed this September and it would be unwise to do anything with our tax regime until that has happened.