

### **3.10 The Deputy of St. Mary of the Minister for Treasury and Resources regarding the consultation process for personal and business taxation**

Given that the Minister has presented options for personal and business taxation to the public for consultation, will he advise whether any additional options were considered as part of the taxation review and, if so, why were they not included for consultation?

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

Before I answer the question I would just like to apologise to the Deputy of St. Martin and to the House for having to leave rather abruptly before but I did have a coughing fit and I thought it was best to have that outside the Chamber than in the Chamber. If I may return to the question. The personal tax consultation sets out the most realistic options for raising significant amounts of tax based on the 3 criteria set out in the Green Paper. The options that have been considered but discounted have also been included in the consultations with explanations as to why they have been discounted. For example, in the personal tax consultation the Minister for Treasury and Resources and Resources explained why capital gains and inheritance taxes are not an option and I therefore refer the Deputy of St. Mary to the Green Paper. There was also a question asked about some smaller measures: impôts duties, stamp duty, land development tax and mortgage interest relief and, again, these are included in the Green Paper. The business tax consultation sets out corporation tax regimes which exist within other jurisdictions and so are likely to have some element of international respectability. No other regimes have been identified in the extensive research that has been carried out. Indeed, if there are other options that are out there that have not been discussed in the consultation papers, then the Minister for Treasury and Resources and myself would want to hear about them so they can be considered.

#### **3.10.1 The Deputy of St. Mary:**

Thank you for that reply. The 2 taxes, 1(1)(k)s - the whole situation around 1(1)(k)s - and capital gains tax were included only to be excluded and literally a couple of lines saying, in the one case, "review being done" and in the other "would damage our finance industry" so I would like a comment on why these are waved in the direction of the public and then withdrawn as: "We are not going to talk about that and nor are you." So can he confirm that the public are not invited really seriously to contribute on those 2 taxes?

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

The public have every right to reply on any aspect of the consultation papers.

#### **3.10.2 The Deputy of St. Mary:**

The criteria for taxes exclude the social and political considerations which are very large in the case of land development tax and mortgage relief and I wonder if the Assistant Minister would like to comment on why those have been excluded from the not very detailed presentations of the additional tax measures.

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

Firstly, I would like to say that of the 3 criteria the first is fairness, the second being competitiveness, in my view, and economic efficiency is the third. With regards to land development tax, I believe that we should be working more closely with our colleagues in the Planning and Environment Department to ensure that we extract through planning obligations the gain that developers have on rezoning of lands. In my view, it is a better mechanism than having to write a specific law concerning that

area for what is a relatively short number of sites that are likely to be rezoned in the near or medium future.

**3.10.3 Deputy M. Tadier:**

First of all, if I could ask the Assistant Minister for an undertaking to give all States Members the background information which I know some Members already have which is very valuable, which goes into all the deliberations. I think it is vital, so if he could do that first. Secondly, I would point out that there is this leaflet which has been going out. I would like to ask the Assistant Minister about the apparent contradiction where, on the one hand, as he has said previously, capital gains and inheritance taxes have been discounted even before the consultation process has started on the basis that they could be damaging to the finance industry; could cause job losses. However, income tax increase to 30 per cent for higher earners has been included in the consultation but it does say that it could also impact negatively on jobs and on the finance industry and there is no positive reasons given there. So why has one been included and not the other?

**Deputy E.J. Noel:**

Capital gains taxes have been not excluded from the consultation paper. We are more than welcome to have comments and replies from the public on that. We have taken the view that the amount of tax they would raise would not be of sufficient value to counteract the damage that they will do to our finance industry.

**3.10.4 Deputy M. Tadier:**

We are getting into the grounds of sophistry here. Quite clearly, there are 4 options which have been presented as the preferred options - or maybe not the preferred options - but those are the 4 which are on the table, those are the 4 options around which the public consultation will crystallise. So, quite clearly, does the Assistant Minister not acknowledge by not putting those capital gains tax, inheritance tax but also other initiatives like taxes on flipping of houses if they are sold within 3 or 4 years they have not been included? The public need to know why they have not been included and that simply 2 or 3 lines in a very small leaflet is not satisfactory.

**Deputy E.J. Noel:**

I disagree with Deputy Tadier; they have been agreed. They are not one of the suggested ways forward to raise each suggested tax measure going forward. It has been designed to raise some £30 million worth of tax annually. Capital gains tax would not come anywhere near those figures based on the research that has been carried out. So it is simply that we need to raise a significant amount of tax and these small measures just are not cost-effective.

**3.10.5 Senator F. du H. Le Gresley:**

Could I ask the Assistant Minister to circulate to all Members the fiscal strategy review supporting research documents which I have obtained, which will avoid in future some Members asking questions that are possibly unnecessary because the detail is in that document? I also think that the other options which we are talking about, we have only been given 4, some of those are discussed in quite detail in that paper and it may be that some Members would want to bring those options forward to the House rather than rely on the 4 that we have been given in the Green Paper.

**The Deputy Bailiff:**

The question related to: will you circulate the document?

**Deputy E.J. Noel:**

Yes, I will endeavour to get our department to circulate that information to all States Members.

**3.10.6 Deputy G.P. Southern:**

Yes, this question concerns the nature of the description contained on page 3 where it says G.S.T. (Goods and Services Tax) is “mildly regressive” when figure 3 shows that as a percentage of income it is more than twice the impact on the lowest earners than on the most wealthy on the Island. It also goes on to describe it as positive ...

**The Deputy Bailiff:**

What is the question then, please, Deputy?

**Deputy G.P. Southern:**

The question I am coming to ... and also describes G.S.T. as positive in economic efficiency terms and in competitive terms. Does the Minister accept that these descriptions are in fact incorrect? If G.S.T. goes up the whole cost of living on the Island goes up and that cannot be good for economic efficiency or competitive.

**Deputy E.J. Noel:**

I do not believe that Deputy Southern and myself will ever agree on G.S.T. G.S.T. has been described in the paper as “mildly regressive” if looked at as a percentage of income. If it is looked at as a percentage of spend it becomes proportion.

**3.10.7 The Deputy of St. Mary:**

On page 7 of the personal tax document, the basis of the consultation, the package of smaller measures is outlined with a paragraph or 2 in each possible tax: impôts, stamp duty, mortgage interest relief and land development tax and yet that section is headed: “There are a number of other options which would raise smaller amounts. They remain under consideration for the future, but would not raise enough to solve the current problem” although, in fact, as a package they would raise £15 million. Does the Minister agree that by writing that at the beginning of that section: “They remain under consideration for the future” they are, in effect, being excluded from the consultation?

**Deputy E.J. Noel:**

No, I would not agree.

**The Deputy Bailiff:**

We are going to come on next to question 10. Can I just remind all Members of the contents of Standing Order 10(2): “A question addressed to a Member of the States upon a public matter for which the Member has an official responsibility must either seek information on the matter or ask for official action with regard to it.” Questions and answers from Ministers should be short and punchy dealing with those particular issues which are under question.