

3.4 Deputy G.P. Southern of the Minister for Treasury and Resources regarding measures to ensure that non-locally-owned non-finance businesses that conduct business in the Island pay tax in Jersey

Will the Minister explain to Members what he means by the statement on page 7 of the Business Tax Review Green Paper that: “Tax neutrality is also important to non-financial services businesses and can influence developments in other parts of the economy” and state what short-term measures, if any, he has under consideration to ensure that non-locally owned non-finance businesses that conduct business in this Island pay tax in Jersey?

The Deputy Bailiff:

In the absence of the Minister, the Assistant Minister.

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

Non-financial service businesses benefit indirectly from the success of the financial services industry which is based on the existence of tax neutrality. They benefit indirectly through the spending power of the employees of the finance industry and indeed the spending of the financial services companies themselves. Also, benefit is derived from the high levels of tax that they generate and the public services that they fund. As stated in the Business Tax Review Green Paper, consideration is being given to whether, and indeed how, additional revenues can be achieved from non-locally owned non-finance businesses under any replacement regime. Given that there is a review of the whole business tax regime and given that our zero/ten regime is being assessed by the code group, it would be inappropriate to make any short-term changes which would undermine the review or the potentiality effect of the outcome of the zero/ten assessment.

3.4.1 Deputy G.P. Southern:

So, the Minister is not going to tell us what measures he has under consideration to tax non-locally owned, non-finance businesses that do business in the Island. Can he at least confirm that the so-called Blampied proposal is no longer being considered; in fact it is dead in the water?

Deputy E.J. Noel:

With regards to the so-called Blampied proposal, parts of that proposal have been adopted in terms of removing the 115(g) and (ga), I believe, exemptions.

3.4.2 Deputy G.P. Southern:

Can the Minister confirm that the principle underlying the Blampied proposal which was to tax non-local businesses on their deemed rent is dead in the water, and no longer under consideration?

Deputy E.J. Noel:

That is correct, because it is a deemed based tax and not an actual based tax and has some significant flaws in it and, indeed, from the industry they were quite adamant that avoidance of such a tax would be a relatively straightforward matter.

3.4.3 Deputy G.P. Southern:

Earlier in the document on page 4 the Minister talks about tax neutrality and transparency and poor regulation being the facilitators for tax evasion and avoidance;

what measures in the Business Tax Review does the Assistant Minister have to increase transparency on the Island and, indeed, does he consider that business on the Island is indeed transparent?

Deputy E.J. Noel:

The business that is conducted throughout our financial services industry is tax neutral. We have been put under the microscope many, many times by such eminent bodies as the I.M.F. (International Monetary Fund). We have been put on the white list of the O.E.C.D. (Organisation for Economic Co-operation and Development) and Jersey has a strong, well regulated finance industry.

3.4.4 Senator A. Breckon:

Is the Assistant Minister aware that the existing Minister for Treasury and Resources and the previous Minister said that they would examine ways of companies especially operating in the High Street would make a contribution to the local economy and not get off without paying any tax at all?

Deputy E.J. Noel:

That is correct, and we within Treasury are actively looking into that but unfortunately it is a nice thing to try and achieve but it is a very difficult thing to achieve.

3.4.5 Senator A. Breckon:

Is the Assistant Minister aware that if the public are being asked to pay extra charges and taxes then they do not look kindly on the inaction that is currently within the Treasury Department?

Deputy E.J. Noel:

I am sure that the public do not like the fact that non-locally owned businesses trading in the Island are no longer subject to Jersey income tax. However, we are looking at ways of obtaining some financial benefit out of such businesses.

3.4.6 Senator A. Breckon:

I wonder if I may ask the Minister for Treasury and Resources to give some idea of the timescale that this is being looked at and when there will be something emerging?

Deputy E.J. Noel:

I am unable to give a timescale at this moment.

3.4.7 Deputy D.J. De Sousa of St. Helier:

Does the Assistant Minister consider that there is really a level playing field for all businesses under the tax regime for business tax?

Deputy E.J. Noel:

In terms of the overall tax that businesses pay, yes there is a level playing field, because those that are non-locally owned may not be paying tax in Jersey but they are paying tax in their host jurisdictions. So, if you look at the whole then there is a level playing field, if you look at it in isolation then there could be an argument to say that there is not.

3.4.8 Deputy R.G. Le Hérissier of St. Saviour:

Would the Assistant Minister not concede that all sorts of financial acrobatics had to be performed in order to avoid the application of a level playing field? Are these new proposals going to again involve incredible financial acrobatics which will be seen through in a very short order of time?

Deputy E.J. Noel:

Our zero/ten proposals are yet to be reviewed by the code group. I am confident that they will find to have passed the test both in spirit and comply with the legislation. Any replacement regime will have to be carefully considered because fundamentally we have to remain competitive in a worldwide market.

3.4.9 Deputy R.G. Le Hérissier:

Would the Minister not concede that the issues of tax competition that prevailed at the time no longer prevail and it is no longer his responsibility to make the illogical logical?

Deputy E.J. Noel:

I believe the circumstances that were in existence 4 or 5 years ago are still in existence now. The economic climate is not what it was 5 years ago, which makes it even more important that we support and hold our finance industry.

3.4.10 Senator S.C. Ferguson:

Given that we are working with Guernsey and given that Guernsey have issued a *Billet* talking of a 10 per cent overall corporation tax rate, are we working with Guernsey and will such a rate not satisfy the inequity of the current system?

Deputy E.J. Noel:

The Guernsey system is based on a territorial form of tax with many exemptions. I do not really want to comment further on their tax system, but at the present our zero/ten regime works and I am confident that under the code review it will continue to be in operation.

3.4.11 Deputy G.P. Southern:

I return to the question of transparency. On page 4 it says: "Lack of transparency and poor regulation do facilitate tax evasion." Is the Assistant Minister content that financial services in Jersey are sufficiently transparent and what moves will he take to increase transparency on the Island?

Deputy E.J. Noel:

I believe that Jersey has a very robust and transparent financial services system. I do not believe it needs to be enhanced any further to the detriment of our competitiveness.