

2.6 Deputy G.P. Southern of the Minister for Treasury and Resources regarding the introduction of the zero component of the Zero/Ten policy for non-finance companies:

Will the Minister explain the logic behind the introduction of the zero component of the Zero/Ten tax policy for non-finance companies; give the latest estimates of how much revenue will be lost through zero-rating non-local companies in 2010; state what measures are under consideration to recoup this revenue; and provide a list of non-finance, non-local companies trading on the Island whose turnover is greater than the G.S.T. (Goods and Services Tax) threshold of £300,000 per annum?

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

As the Deputy will be aware, these issues have been discussed in this Assembly many times, but I will do my best to summarise. As the Deputy will recall, Zero/Ten was introduced to replace the previous regime, some aspects of which were found to be harmful as they were only available to non-residents. To ensure Jersey's new regime was not harmful, the same tax treatment had to be given to Jersey residents as non-residents. It is important to ensure that Jersey can continue to provide a tax neutral environment, as of course many finance centres do, and so can continue to compete in the international financial sector. To be able to provide a tax-neutral environment to international investors, using a zero rate, the same rate had to apply to Jersey-owned companies. The zero rate also had to be our general rate, and so had to apply to most companies. The best estimate that we have for loss in tax revenue from zero-rating non-Jersey, non-finance companies was, as has been many times repeated, in the region of £15 million to £20 million. The expected loss from Zero/Ten was addressed with G.S.T., I.T.I.S. (Income Tax Instalment System), 20 means 20, and boosting economic growth.

[15:30]

Proposals to address the loss from non-finance companies are under consideration, as set out in the business tax consultation document. It would, however, be wrong to make any announcement on that issue while we are engaged in consultation and, of course, before the E.U. (European Union) Code of Conduct Group has completed its assessment of Zero/Ten, which is now underway. Financial information on specific taxpayers is confidential and cannot be disclosed by the Taxes Office.

2.6.1 Deputy G.P. Southern:

Surely there is a list in whoever deals with G.S.T. compliance of those companies paying G.S.T. because they are over the £300,000. What confidentiality is achieved, or is necessary, in terms of revealing how many companies, and what companies, are on the Island trading tax-free?

Senator P.F.C. Ozouf:

I am more than happy to ask the Comptroller for data on the number of companies, *et cetera*, but any naming of companies that the Deputy asks me to do, I am afraid, is not possible. I never discuss any names of companies with the Taxes Office. That is information that is subject to confidentiality, of which there is an oath of confidentiality which is sworn in the court next door.

2.6.2 Deputy G.P. Southern:

Could I ask whether the imposition of the zero rate is a result of the zero rate which used to apply to exempt companies or to many I.B.C.s (international business companies)?

Senator P.F.C. Ozouf:

I am not sure that I understand the question. If the zero rate is the result of the zero rate which was a part of I.B.C.s? Well, clearly, Jersey offered a zero rate in terms of its previous corporate tax regime in order to preserve tax neutrality. That is fundamental to what Jersey does in terms of being an international financial centre. With the absence of double tax treaties around the world, we achieve tax neutrality through a zero rate. This is something which is well understood, and I am surprised the Deputy does not understand it. But if he would like a tutorial on it, I am happy to have him in the Treasury to do it.

2.6.3 Deputy G.P. Southern:

The Minister is often offering to give me a tutorial on this, that and the other. Another point of a little confusion that I may be suffering from: certainly, in the back of my head I had a figure of between £7 million and £10 million lost from zero-rating for non-finance, non-local companies. I am quite surprised to hear him saying twice that figure, £15million to £20 million now, when the total loss from non-finance companies originally estimated was only £30 million to apply to all non-finance companies?

Senator P.F.C. Ozouf:

The Deputy and I have exchanged words in the Assembly before about the importance of not rewriting history. I do not think there is anything new in what I have said today in relation to the losses in terms of non-foreign-owned corporations operating in Jersey that previously had a tax rate of 20 per cent or less, and we all are concerned in trying to find a solution to recovering some of that tax. There have been the Blampied proposals which unfortunately were not favoured, which the Deputy agrees with. After the code of conduct assessment process has been completed I will continue the work knowing what the code of conduct has to say about our tax regime. I will work to continue to find a way of recovering some of that lost revenue.

2.6.4 Deputy M. Tadier:

The Minister will be aware that the finance industry, like any business in general, needs certainty in its operations. Would the Minister acknowledge that, far from providing certainty, Zero/Ten and its future at the moment is unknown and it is in that sense precarious? Would it not be better to bring forward as soon as possible, first of all to scrap Zero/Ten, rescind that and to bring in a sensible and a stable taxation, which is acceptable both to locals, to businesses, and to the E.U., so that businesses on the Island can have something which is going to be workable for the foreseeable future?

Senator P.F.C. Ozouf:

Deputy Tadier is also in the tutorial group. He needs to understand, I think, the reasons why international finance... how it works and what Jersey's place in terms of international finance is. If he is suggesting that a change in tax, and lifting everything to a standard rate of tax in Jersey is the solution to give certainty to Jersey's prosperous future, then I am afraid he really does need to go and do his research. In terms of stability and certainty, what I can say is there is absolute clarity in relation to

that. Jersey provides tax neutrality to users of financial services or the underlying users of financial services, and we will continue to do so whether or not there are any changes in relation to Zero/Ten. Zero/Ten was the right tax regime for Jersey. It has been the bedrock of the continued development of our finance centre, and I am confident that it still remains appropriate and is in accordance with the code of conduct and is code compliant. But we will see what the assessment brings in relation to that.

2.6.5 Deputy M. Tadier:

I will be very happy to go for a tutorial with Deputy Southern, but the tutorial certainly will not be given by Senator Ozouf with his questionable credentials in economics. I will simply ask the Minister, was there ever anything in writing from the E.U. to say that Zero/Ten was going to be compliant, and if that is the case, can he furnish it to Members of the States and to the public? Because this is constantly what we are hearing, and if not, will he acknowledge that in fact Zero/Ten has been built on sand? We were advised in the past that it was not sustainable and this has come back to bite us, and it will affect the finance industry, and it will be because of the Minister and his advisers.

Senator P.F.C. Ozouf:

I do not think anything that I say in this Assembly is going to shift Deputy Tadier's position. I have to say, from everything I have ever seen in relation to Zero/Ten and the reasons why we changed it, it was the right decision. He is wrong, I would say, in suggesting that Zero/Ten was not the appropriate move for corporate tax. I remain of the strong view that Zero/Ten can still be and should still be a feature of our tax system. However, we welcome the code of conduct assessment in relation to Zero/Ten, and we are not alone in the issue of Zero/Ten as Guernsey and the Isle of Man also adopted similar Zero/Ten. So clearly, if he thinks that we are wrong, then he is also saying the Isle of Man and Guernsey were wrong too.

2.6.6 Deputy M.R. Higgins:

I think some Members may be a bit confused by some of this. The Minister implied that international business companies and exempt companies paid no tax at all. In fact they paid a flat fee of a few hundred pounds for each company and in aggregation they gave us money. The actual Zero/Ten tax rate has meant that many non-resident companies that previously paid tax are not paying tax at the present time, and therefore there is a loss to the Island. Would he not confirm that is the case?

Senator P.F.C. Ozouf:

All of these issues have been ventilated, discussed and debated in this Assembly on numerous occasions over a very long period of time. Any suggestion ... Some of those questions that are being made, in my view, attempt almost to rewrite some history. It is absolutely clear that the move to Zero/Ten cost the Jersey exchequer in the region of £100 million and we needed to put in place arrangements to do that. There was no choice but to do that. If we had not changed our tax regime when we did, a few years ago, then we would not have had the growth and continued presence of financial services in Jersey. Any changes that we make on corporate tax, if we do find a way of taxing those foreign-owned corporations that have activities in Jersey, then we will do so.

2.6.7 Deputy M.R. Higgins:

The Minister did not really answer the question. I asked him about, for example, exempt and international business companies, and whether they did pay tax previously. He implied that they did not.

The Deputy Bailiff:

The Deputy is making a statement rather than asking a question. Deputy Southern, final supplementary.

2.6.8 Deputy G.P. Southern:

Will the Minister for Treasury and Resources agree to ask the Director of G.S.T. for the number of companies which are trading on the Island with a turnover of greater than £300,000?

Senator P.F.C. Ozouf:

I certainly can, but I am not sure how it is going to help the Deputy in seeking the information he has, but I am certainly happy to ask the question.