

**2.17 Deputy T.M. Pitman of the Minister for Treasury and Resources regarding 1(1)(k) tax status:**

Would the Minister clarify under which aspect of Jersey's tax legislation individuals were deemed able to be legally granted 1(1)(k) status and thus negotiation their own tax contributions with the Comptroller of Income Tax prior to 2005, and advise whether 1(1)(k) status also means individual tax rates cannot be increased by government in line with the changing economic climate.

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

I should start by reminding the Deputy that 1(1)(k) status is granted by the Minister for Housing and previously the Housing Committee and not by Income Tax or the Minister for Treasury and Resources. It is not a matter specifically of tax legislation and neither the current Comptroller of Tax nor his predecessors ever had the authority to grant 1(1)(k) status. The States have, of course, the ability to vary tax and 1(1)(k) arrangements too in the annual budget. I have said in my last year's budget statement that I am reviewing 1(1)(k) arrangements by conducting a review which I will do ahead of the budget. I must say that £13.5 million is currently collected from 1(1)(k)s - the 123 of them - and I would point out to the Deputy that they could go to other places which would tax them less; places like Switzerland. They significantly contribute to our Island and the prosperity and my review will aim to enhance that contribution further.

**2.17.1 Deputy T.M. Pitman:**

A supplementary. I am not sure if the Minister answered the second part of the question, could they be altered, increased, upgraded? Possibly I missed it, he was speaking very quickly. In 2008 we had 78 1(1)(k) residents paying less than the £100,000, 32 paying less than £20,000. Particularly if we cannot renegotiate, does the Minister agree that this simply cannot be viewed as consistent with our stated government aim of creating a more equal society when ordinary people are facing possible increases in taxation and even G.S.T. (Goods and Services Tax).

**Senator P.F.C. Ozouf:**

I think I did answer the question. The States does have the ability to vary tax rates and I am looking at the issue of the arrangements prior to 2005 and looking at those whole arrangements of which he is quite correct in saying that there are some 1(1)(k)s that pay less. But there are others that pay ... I do not know the individual information, of course, but there are others that pay very substantially more than those figures. The 1(1)(k) policy which my predecessor brought to the Assembly in 2005 has been a success in driving significant new revenue into the States coffers which pays for vital public services.

[11:30]

**2.17.2 Deputy T.M. Pitman:**

The Minister reminded us that 1(1)(k) residents could up-sticks and leave, does the Minister concede that not so very long ago Mr. Colin Powell, the former Economic Adviser, pointed out that there was absolutely no evidence to suggest that 1(1)(k) residents would leave if their tax was increased?

**Senator P.F.C. Ozouf:**

I would be very hesitant to take the former Chief Adviser's comments out of context. I think it is absolutely clear that if tax rates were raised for a variety of mobile individuals, they could leave in theory.

**2.17.3 Deputy S. Pitman:**

With the regard to the principles of equality in the Strategic Plan, during the last Imagine Jersey I was informed by a Treasury officer that 1(1)(k) residents come to the Government and they negotiate what tax they are paying. Would the Minister finally concede that is, indeed, what happens?

**Senator P.F.C. Ozouf:**

That is not what happens subsequently under the new arrangements that my predecessor brought to the Assembly in 2005. There is a clear statutory basis on which 1(1)(k)s are issued and they pay tax according to that structured rate of taxes. I would also remind the Deputy - because I do think there is a genuine misunderstanding in relation to this - that local sourced income is of course taxed in the same way that every other individual and resident of Jersey is taxed.

**2.17.4 Deputy G.P. Southern:**

Does the Minister not accept that the U.K. Her Majesty's Revenue and Customs have accepted that the 50 per cent rate imposed in the U.K. has produced no mass exodus of wealthy individuals from the U.K. and is there not a parallel with Jersey?

**Senator P.F.C. Ozouf:**

Deputy Southern and I occasionally agree on matters but we disagree on others. I think it is far too early to say whether or not the 50 per cent rate of tax will have an exodus of high value and high income earning in the U.K. Certainly I have no proposals or any thought in my mind for a 50 per cent rate of tax and hope he does not either.

**2.17.5 Deputy I.J. Gorst:**

While I welcome this review, I wonder if the Minister could confirm whether he, as part of this review, will be looking at control of international assets because these 2 issues are wound up intimately together, tax paid in a jurisdiction and control of assets elsewhere. I wonder if it will extend to consider that.

**Senator P.F.C. Ozouf:**

I am happy to do so but it has already probably been covered in the review itself.

**2.17.6 Deputy T.M. Pitman:**

I appreciate the Minister cannot do it now but would he be willing to forward to me to confirm or otherwise that we have a small number of 1(1)(k) paying less than £10,000 in tax? Could he forward that to me?

**Senator P.F.C. Ozouf:**

I do not need to forward anything to the Deputy because I have answered the written question 2 or 3 weeks ago in relation to the triaging of contributions of various 1(1)(k)s. The Comptroller is concerned, as I am, in relation to identifying individuals. There are a small number of 1(1)(k)s and I think that I have gone as far as I am willing to go in terms of segregating those 1(1)(k)s and giving the data which this Assembly needs in order to make 1(1)(k) tax policy. I am reviewing this matter. I

understand the concern of Members and I will keep Members informed as I carry out the review on 1(1)(k)s ahead of the budget later on this year.