

3.10 Deputy T.M. Pitman of the Minister for Treasury and Resources regarding the impact of the savings agreed as part of the Annual Business Plan 2011 on Income Support claims:

Does the Minister consider that there will be an increase for those requiring income support as a result of the savings agreed as part of the Annual Business Plan 2011? If so, will the majority of this cost be borne by those in middle Jersey rather than the Island's wealthy residents?

The Bailiff:

Minister? Oh, he is not here. Assistant Minister? **[Laughter]**

Deputy J.A.N. Le Fondré of St. Lawrence:

Thank you, Sir.

The Bailiff:

All right, back to the Minister. Your Assistant Minister has had a heart attack. **[Laughter]**

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

I do apologise, Sir. We are dealing with Deputy Pitman's question I assume. I am sorry, I apologise to the Assembly. I think there is generally an acceptance in this Assembly that the States is facing a forecast deficit which cannot be ignored and must be tackled by a combination of reductions in spending, economic growth and some increased taxes. The Comprehensive Spending Review is designed to be a fundamental restructuring and rethinking of services that taxpayers pay for. Salami-slicing, *pro rata* cuts and tinkering with short-term savings is not going to be enough and I do accept that if that was to be the case we could be unfairly affecting some sections of our society. The initial level of savings we need, as part of the Business Plan, will include potential voluntary redundancies for some States staff. The approval process for this is ongoing and is robust. Once individual applications are considered the more detailed effects will become clear. I am convinced that the measures that we are putting in place will benefit the economy for all Islanders. We can do all we can to make the C.S.R. (Comprehensive Spending Review) process as smooth as possible for all those involved, staff and Islanders. But to achieve savings we need to work hard and we need to have a proper process. If we do not achieve savings and if we do not get the tax-raising measures through in the budget, there will be more painful - and inevitably for the public sector - compulsory job losses. That will affect low income people more than others.

3.10.1 Deputy T.M. Pitman:

With due respect, I am not sure if that was a yes or a no. However, given that we do not ask those at the really sharp end of the economy to pay tax, yet quite rightly ask those who earn a little more to do so, in the light of the economic climate does the Minister agree that out of fairness it is high time that we ask those who earn significantly more again to contribute accordingly, i.e. progressive taxation and, if not, why not?

Senator P.F.C. Ozouf:

I am not going to reveal what is in the budget because it is still being worked upon and will be revealed to Members on 22nd October. It would be wrong to conclude at

this stage the outcome and the conclusions from the Fiscal Strategy Review. I agree with fairness and we are looking at the issues of progressive taxation. We also need to be aware that Jersey has sent out a very clear message and have built a successful economy on stable certainty and low taxes. Any suggestions or discussions we have about higher taxes for higher individuals we must not send out the message that Jersey is going to become uncompetitive and undo the economic value that we have created over the last decades. **[Approbation]**

3.10.2 Deputy G.P. Southern:

Does the Minister not concede that in attempting to achieve £65 million worth of cuts to public services he will inevitably be causing a number of job losses which may be up to 400 and that these 400 job losses will kill any economic growth stone dead?

Senator P.F.C. Ozouf:

We are going to have a comprehensive debate on P.113 where Deputy Southern is asking us to put on hold both the Fiscal Strategy Review and the Comprehensive Spending Review. We have set out a clear policy to deal with Jersey's deficit within 3 years and to make those decisions by the end of this year, concluding in the budget. That is going to be ... when we have made those decisions that will send a clear message that Jersey has balanced public finances and we continue the stability that we have enjoyed over previous decades. Deputy Southern does not want that. If he succeeds in persuading this Assembly to put off difficult decisions we will store-up problems; for low income families, for the economy and for the rest of the Island and I do not want to go there.

3.10.3 Senator S.C. Ferguson:

The overall savings target has been increased to £65 million over the next 3 years. I would have preferred a bit higher but there we go. What changes will that make to the tax to be raised and have the tax forecasts been changed?

Senator P.F.C. Ozouf:

That is a very good question. The Council of Ministers, as a result of the C.S.R. discussions last week - as Members will have been informed by the Chief Minister - are now targeting £65 million worth of savings in 2013 and again the conclusions of that will be announced on 22nd October. What I need to be very clear about in the short term is that that does not change the tax-raising target for this year's budget which is in the region of £20 million to £25 million. There is a range of income and the latest information that I have is that the income this year and next year may well be at the lower end of the income range. That is not something that is unexpected, I have said that before. That means that it will be appropriate for me to still maintain the target of £50 million in terms of tax-raising measures. If we can reduce it we will of course do, but it does not change anything for the arrangements for next year.

3.10.4 Senator S.C. Ferguson:

Supplementary. Will the Minister also confirm that 18 per cent of the possible taxpayers, based on the 2008 figures, produce 60 per cent of the tax, being the 12,000 or so people who pay tax at the 20 per cent rate; 57 per cent who pay at the marginal rate produce 40 per cent of the tax raised; and the remaining 25 per cent pay no tax at all? Will the Minister also confirm that the 20 per cent tax rate - the full rate - commences, for a single person, at about £40,000 a year? So that we have 12,000 people or so, whose tax starts at around £40,000, are the people who pay ...

The Bailiff:

Is that the end of your question, Senator? It is a very long one.

Senator S.C. Ferguson:

Yes, I am just getting to it, Sir. Does the Minister confirm that the profile of taxpayers is that?

The Bailiff:

I have to say that it is drifting away somewhat from the original question.

Senator P.F.C. Ozouf:

I am sure the Senator is right if she is probably referring to a written report before her. The point she is making is that everybody in Jersey pays low tax across all income levels, and long may that continue. But we do have to balance our books and there are going to have to be some changes and some difficult changes that are going to be required on tax.

3.10.5 Deputy D.J.A. Wimberley of St. Mary:

Returning to the question which was about numbers requiring income support as a result of the savings, can the Minister tell the House about the impact of voluntary redundancies and enforced redundancies on income support, rent support and housing costs? We have just heard the impact on housing and can he assure us that these costs have been taken into account in the Comprehensive Spending Review? In other words, if you are targeting savings at £50 million are you also taking into account the additional costs caused by all the redundancies?

[10:45]

Senator P.F.C. Ozouf:

Reducing public expenditure, with a wage bill in excess of 50 per cent of total spending, is going to mean that there is going to be a reduction in the number of people that the States employ. There is also going to have to be a review, and a review is being done, of all the terms and conditions and remuneration for States workers. Again, there are going to be some important decisions that we are going to have to be making on those issues in the next couple of years. The voluntary redundancy scheme has not yet come to a conclusion. I have not seen any of the final numbers or any of the final lists but those are still being worked upon. There will be a political consultation process in voluntary redundancies and I have asked Senator Le Gresley, for example, if he would be willing to be part of a group to look at those voluntary redundancies and yes, of course the total cost will be looked at. I am looking in the voluntary redundancy scheme proposals for departments coming forward with jobs at management level that can be removed and deleted. I think the public wants us to maintain front line public services but deal with the management of the organisation and that is one of the key issues that we are looking at in the C.S.R.

3.10.6 The Deputy of St. Mary:

A supplementary, if I may. The Minister has singularly failed to answer the question. That was a wonderful exposition of all sorts of things that had nothing to do with the question. Please, is the Minister going to or has the Minister assessed the additional costs of the redundancies that will fall on the taxpayer directly or indirectly and will those costs be clearly stated to Members in the event of the debate on C.S.R.?

Senator P.F.C. Ozouf:

The Deputy wants me to say - which I do not agree with and I fundamentally disagree with - that if the public sector is going to shed some individuals that those individuals cannot do anything else apart from go on to income support and be unemployed. That is exactly why I say there are 3 things that we need to be doing; we need to be cutting spending and boosting economic growth and looking at taxes. We need to be creating the job opportunities for individuals that will no longer be employed by the States of Jersey. That is how we will boost economic growth. That is how we will not incur the kind of costs that he is concerned with.

The Bailiff:

We have next the Deputy of St. John then the Deputy of Grouville and then a final question from Deputy Pitman. Deputy of St. John.

3.10.7 The Deputy of St. John:

Given that middle Jersey are hurting, will the Minister look at the fairness to all? It was only yesterday I was, along with the Deputy of St. Mary, at the aqua fish farms on the east coast and met the local aqua fish farmers. There are 3 farmers paying Jersey income tax and one farmer - a French company - who does not pay any income tax locally. This is totally out of sync with what should be happening on the Island, when you have 3 operators having to contribute to the Exchequer and one that does not. We see the same in King Street with Voisins & Co and De Gruchy's. It cannot be right, at a time like this, that we have got people working alongside each other; one pays income tax and the other does not. Will the Minister agree ...

The Bailiff:

I am sorry, Deputy, that is a very good question but it cannot arise out of the income support for ...

The Deputy of St. John:

Well it mentioned, Sir, the middle Jersey and that is where I am coming from.

The Bailiff:

Yes, good try, Deputy but ...

The Deputy of St. John:

You are cutting me off at the knees yet again, Sir. **[Laughter]**

3.10.8 The Deputy of Grouville:

Could the Minister confirm that of the 25per cent of people who pay no tax at all, claimed by Senator Ferguson, that this percentage could be made up of wealthy residents who structure their financial affairs in a certain way?

Senator P.F.C. Ozouf:

I jolly well hope not and my answers to Deputy Southern earlier indicate that we are strengthening the Tax Department to ensure that tax is collected. Later, during the course of the day, I will be issuing the first of 2 reports on 1(1)(k)s, for example, which I think sets the record straight of exactly what the history of 1(1)(k)s are and there will be some further announcements in the budget, I expect, after receiving some further advice on 1(1)(k)s in the future. To suggest that wealthy people do not pay their tax is not the information that I have from the Tax Department.

3.10.9 The Deputy of Grouville:

I was not suggesting it. I was asking the Minister if that figure could be made up of some wealthy residents? I was asking the question.

Senator P.F.C. Ozouf:

In theory, if the Tax Department was not alert and the Comptroller was not using Article 134A for tackling income to capital funds then yes but I jolly well hope that is not the case.

The Bailiff:

The final question then from Deputy Pitman.

3.10.10 Deputy T.M. Pitman:

I wish I had 6. The Minister talks about fairness but does he consider an example of this fairness to be public sector workers made redundant, through ideology really, then having to apply for the same jobs in the private sector but at minimum wage?

Senator P.F.C. Ozouf:

I am not a pessimist about the fallout and the consequence of restructuring. We are going to have to make some decisions to cut costs in 2012 and 2013. These are going to mean that in some areas we are going to have to make reductions in staff numbers but these individuals need to be assisted. They need to be helped in order to set up their own businesses and reach their full potential in the private sector or the voluntary sector. That is why we need to be optimistic and not constantly pessimistic by saying that reductions in one area, avoiding necessary restructuring, means that people cannot have fruitful successful lives outside. That is not the case and certainly not my aspiration.

The Bailiff:

Very well, we come to the next question which Deputy Tadier will ask of the Minister for Health and Social Services. Deputy.