

2.8 Deputy T.M. Pitman of St. Helier of the Minister for Treasury and Resources regarding the taxation of 1(1)(k) residents:

Will the Minister clarify the number of 1(1)(k) residents paying less than £5,000 tax or between £5,000 and £10,000 in 2009? How many 1(1)(k) residents paid less in 2009 than the £200,000 minimum that operated during the 1990s? Will he advise whether this current system is economically fair to middle earners?

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

I was going to ask my Assistant Minister, Deputy Noel to answer this question in any event.

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

To clarify, minimum limits are not set out in the Tax Law. They were set out by the Housing Committee and then subsequently by the Minister for Housing, in consultation with other departments to ensure that prospective 1(1)(k)s are of sufficient economic benefit to Jersey to justify a housing consent. The minimum contribution by the late 1990s rose to £200,000, but this proved to be uncompetitive and so in 2003/2004 was reduced to £100,000. Having said that, may I remind the Deputy that all 1(1)(k)s pay 20 per cent on all of their Jersey-sourced income and all pre-2005 entrants pay 20 per cent on all of their non-Jersey income. Bearing all of this in mind, in 2009 the number of 1(1)(k)s paying less than £5,000 tax per annum was 10. The number paying between £5,000 and £10,000 was 8. The number paying less than £200,000 was 114. On the point about fairness, the current direct tax contribution by around 120 individuals is £13.5 million per annum. If I could put this into perspective that is the equivalent of 1 per cent on G.S.T. Since 2005, 1(1)(k) residents have bought property worth in excess of £120 million, contributing a further £3 million in stamp duty. 1(1)(k)s contribute significantly more to the hiring of staff, employing local builders and investing significant sums of money in the local economy by way of their spending power and in the amount that they give to our charitable sector. The total contribution from 1(1)(k)s is likely to bring tens of millions of pounds to our economy and our Islanders. In view of this significant contribution and without it other local residents would be paying substantially more tax.

2.8.1 Deputy T.M. Pitman:

If I could put this into perspective for the Assistant Minister, given that once again, as in 2008, we have a significant number, not all, of multi-millionaires paying a comparative pittance in tax, can the Minister for Treasury and Resources tell me what his explanation to the middle earners contacting me about the fact that many of them are paying 3 times the tax of some multi-millionaires - 3 times the tax - are likely to be hit with increased G.S.T., increased school fees and quite possibly redundancies as a result of the Minister's scapegoating of the public sector in the C.S.R. (Comprehensive Spending Review). How can that be equitable in any way?

Deputy E.J. Noel:

The Deputy is probably referring to some of our longer standing 1(1)(k)s who in all terms of reality would qualify now as local residents and outside the 1(1)(k) provision. To repeat, they are all paying tax at 20 per cent on their income.

2.8.2 Deputy M. Tadier:

The Assistant Minister gave a long list of what he perceives are the positive consequences of having 1(1)(k) residents in Jersey. In the interest of balance, would he provide some of the negative consequences of having 1(1)(k)s in Jersey?

Deputy E.J. Noel:

I cannot think of any.

2.8.3 Deputy M. Tadier:

Okay, let us give the Minister a hand. Would he comment perhaps on the fact that because certain houses are priced out of ordinary residents' reach that pushes house prices up for ordinary residents? But more generally would the Assistant Minister, given the fact that he cannot think of any consequences be supportive of a cost benefit analysis to look at these very issues to find out in the round whether 1(1)(k)s benefit the Island or otherwise?

Deputy E.J. Noel:

I really do not think that ordinary residents would buy properties in excess of £2 million and £3 million.

2.8.4 Deputy J.M. Maçon of St. Saviour:

Can the Assistant Minister confirm that (k) status can be given, as I understand it, under economic grounds but also under social grounds? Does this explain the perceived imbalance? Can the Minister give a breakdown of how that pans out? Thank you.

Deputy E.J. Noel:

I do not know the exact figures over the years of (k) status being given on grounds other than purely economical. There are circumstances where individuals have been given case status in the past for other reasons. To go back to my original answer, it is not tax driven, it was a combination of factors that were decided on by the Minister for Housing and, prior to that, the President of Housing.

2.8.5 The Deputy of St. Mary:

I would just like to point out to the Assistant Minister that a cost benefit analysis was promised to this House about 6 months ago in a debate, so I look forward to seeing it. My question is, in the report by the former Chief Adviser to the States he writes: "There has been some misleading language used in describing the policy", meaning through the 1970s, 1980s and 1990s. And he says: "There were no deals struck or negotiations that led to any agreement that a person paid less than 20 per cent on the income they received that was liable to tax." Can the Assistant Minister confirm that this statement is true?

Deputy E.J. Noel:

I am happy to confirm that that statement is true.

2.8.6 Deputy G.P. Southern:

In the light of that answer, can the Minister explain why in each of the decades, 1970s, 1980s, 2000s, that 1(1)(k)s failed to produce the average that was targeted for that decade?

Deputy E.J. Noel:

Individual people's circumstances change over time.

2.8.7 Senator T.J. Le Main:

Will the Assistant Minister confirm a fact that I know, and certainly Senator Routier and Deputy Green know, that some, several and many of the 1(1)(k)s contribute huge sums of money to charitable causes in Jersey. **[Approbation]** Would he also confirm that I know of one 1(1)(k) for every year he has lived in the Island has given £150,000 to charitable causes at Easter and £100,000 at Christmas; all this for local charities, to be spent in Jersey. Would he reconfirm that they have a valuable contribution to make to the economy of this Island and to the charitable and to the poor of this Island?

[10:30]

Deputy E.J. Noel:

I am happy to confirm that and I would like to repeat that the 120 or so 1(1)(k)s that we have in the Island, as far as I am concerned, are extremely welcome and I wish we had another 120.

2.8.8 The Deputy of St. John:

Will the Minister confirm that over the last 30 to 40 years many of our old Jersey properties that had fallen totally into disrepair have been acquired by 1(1)(k)s and put them back into a first class condition that the average Jersey family could not afford to have done? They were building bungalows next door and moving out of these old properties. Will he confirm that they are beneficial to the Island in a historic manner, if no other?

Deputy E.J. Noel:

I am more than happy to confirm that and I am also happy to confirm that I believe many plumbers did quite well out of the situation. **[Laughter]**

2.8.9 Deputy T.M. Pitman:

Of course without capital gains they make a fortune, do they not? It is a shame that the Minister dodged this question, but given that the Minister for Treasury and Resources and his Council of Ministers colleagues signed-up to supporting development of a fair and more equal society, and indeed the Minister stated at the 2000 election that he supported progressive taxation, could his Assistant tell the Assembly when we are likely to finally see all the super wealthy paying their way with a progressive taxation system? Further still, that if they all paid their way in tax we would not need the poor to rely on charities.

Deputy E.J. Noel:

I would just like to remind the Deputy that if we did not have these residents living among us ... this is really paying an extra 1 per cent on G.S.T. What is fairer? What is better for the Islanders generally? I maintain that I welcome these 1(1)(k)s and I do wish that we had substantially more of them.

Deputy T.M. Pitman:

Could the Assistant Minister answer the question?

The Deputy Bailiff:

We come next to question 9.

Deputy T.M. Pitman:

The Minister has not answered the question. Ludicrous.

The Deputy Bailiff:

You can make some progress with that on another occasion as you wish, Deputy?
Question 9 which the Deputy of St. Martin will ask the Chief Minister.