

2.20 Deputy T.M. Pitman of the Minister for Treasury and Resources regarding the raising of the G.S.T. tax burden for individual taxpayers:

How does the Minister reconcile the raising of the G.S.T. burden for individual taxpayers with the Council of Ministers' continuing failure to bring proposals to the States for approval to introduce a level playing field with regard to the taxation of non-local registered companies, and how and when will this finally be rectified?

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

The position regarding taxation of local registered companies is an unintended consequence of Zero/Ten. When Zero/Ten was introduced, there were no viable alternatives possible. A lot of work has been carried out to identify ways of addressing this issue in the past and no solution has been found. It has proven to be an extremely challenging issue to resolve. I committed, in the business tax consultation, that I would look at ways of dealing with this matter. This review is underway, and I will bring a proposition to the Assembly once the review is completed and we are of course also clear now about the outcome of the Code Group conclusions.

2.20.1 Deputy T.M. Pitman:

A supplementary? I really should just ask the Minister, when will that review be finished? However, could the Minister inform us whether this unhappiness that is definitely out there contributed to his sudden apparent u-turn on exemptions for G.S.T. that we were talking about on food, *et cetera*?

Senator P.F.C. Ozouf:

I think that is probably a new matter, but I look forward to the opportunity of clarifying that my position on exemptions has not changed, because I have had quite a few calls about why have I changed my mind on exemptions; my mind has not changed. Food exemptions are complex, they are expensive, they would deprive revenue, but I respect and I understand some Ministers and some Members of this Assembly wish to have an option which is revenue-neutral in terms of G.S.T. and that is the only reason why I have brought forward this proposition. I am the only person that can bring forward amendments under the Public Finances Law, so that this Assembly, as a body, can make their mind up in relation to 5 per cent flat low rate or 6 per cent with food exemptions. I will be of course arguing about that on the actual debate subsequently.

2.20.2 Deputy G.P. Southern:

If I may take us back to the previous answers, will the Minister state following his extensive conversation with officers what alternatives he has for anti-tax avoidance measures in personal taxation measures?

Senator P.F.C. Ozouf:

That is, I think, not related to the original question, but of course the Deputy would be aware that as Minister for Treasury and Resources and any Minister, he - or her - would be engaging in extensive consultation and advice with officers. All I can say in relation to both of those issues is that those options are being considered in terms of the original question by Deputy Pitman. It would be wrong for me to speculate on options in relation to either of those issues. I am not going to speculate and bring uncertainty but the position is, as far as the original question is concerned, that I will

bring forward proposals as soon as I am clear of the Code Group arrangements and the other issues that I have mentioned.

2.20.3 Deputy M.R. Higgins:

This is relating to balance and it is to do with the thing here. Will the Minister now admit to Members and to the public that the deficit in 2010, that £80 million, as indicated by the Fiscal Policy Panel in their latest report, is down to Zero/Ten and £50 million is down to the cyclical, rather than the spin that he has been using to date?

[11:45]

Senator P.F.C. Ozouf:

I am standing here thinking of spin, and the Deputy, I wonder how many times does he need to have an explanation? The original deficit caused by Zero/Ten was dealt with. There is nothing in the F.P.P. (Fiscal Policy Panel) report that conflicts with anything that I have said. I welcome the F.P.P.'s report, I welcome their conclusions. The original deficit that was a consequence of Zero/Ten was dealt with by this Assembly by the introduction of G.S.T. at 3 per cent, 20 means 20, the economic activity and the cost savings that were all set out in the original deficit. It is a reinvention of history to say that the current deficit is caused by Zero/Ten. It is not.

2.20.4 Deputy M.R. Higgins:

Yesterday I spoke with Marion Bell, one of the F.P.P., who confirmed to us that there is an ongoing cost of the Zero/Ten. This is where the £80 million is an ongoing cost.

Senator P.F.C. Ozouf:

I welcome those Members who were able to attend the F.P.P. I thought they had some important conclusions and some important guiding principles for the budget debate next year. I think that the Deputy is misinterpreting the advice and the comments made by F.P.P. What is clear is as a result of the economic downturn, our income has been impaired, and there is a structural deficit which has been incurred. That is the first element of the deficit in 2012 which will reoccur. The other one, which is a difficult thing for me to say to this Assembly, is that spending has been rising, and the conclusions about economic growth and the way that economic growth should interact with spending is an important consideration which should not have escaped Members when they read the F.P.P. report yesterday.

The Bailiff:

Deputy Trevor Pitman, do you wish a final supplementary?

2.20.5 Deputy T.M. Pitman:

Yes, please. Could the Minister just do a nice simple answer: will this be rectified before the next election?

Senator P.F.C. Ozouf:

I hope so.