

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY DEPUTY M. TADIER OF ST. BRELADE
ANSWER TO BE TABLED ON TUESDAY 28th SEPTEMBER 2010**

Question

“Will the Minister state whether anything was officially given in writing from the European Union and/or the UK Government that lead to his belief that 'zero-ten', in its current form, would be EU compliant and, if so, will he provide the relevant text?

With regard to zero-ten, will he advise whether he has received any feedback from the Jersey public in relation to the policy's apparent inequity (where local companies pay tax locally and non-local ones, trading in Jersey, do not)?

Will the Minister advise if and how he is planning to amend zero-ten as it currently stands? If there are no amendments, will he say if and by what mechanisms he is planning to recapture lost revenue from non-resident companies trading in the Island?”

Answer

Jersey's 0/10 regime has not yet been formally assessed by the Code Group and as a result no formal communication has been received. However during the design and implementation of the regime public assurance was given that a 0/10 regime would not be harmful.

As set out in the consultation document, public reports from ECOFIN and the Code Group issued in 2003 and 2006 respectively made it clear that Jersey's proposed replacement regime was not considered to be harmful by the Code Group.

Specifically, in the report of the ECOFIN meeting dated 3rd June 2003 it states:

‘...the Code Group has considered the proposed revised or replacement measures....and...has found that none of these are harmful within the meaning of the Code.’

This report refers to a Code Group report which shows clearly that Jersey's 0/10 regime was included as one of the proposed replacement measures.

The relevant wording in the Code Group's report to ECOFIN dated 28th November 2006 is set out in the consultation document. Although this report specifically referred to the IOM's regime, the concept is the same and so it was clear that even in 2006 there was support for the 0/10 regime. There has been no subsequent statements by ECOFIN or the Code Group to suggest that this view has changed.

There were a number of comments in the responses to the public consultation that refer to the apparent inequity of the 0/10 regime. A summary of responses to the consultation will be published in due course.

As set out in the public consultation document, the review is investigating whether it is possible to recoup any of the loss from business that resulted from the introduction of 0/10. This inequity is recognised and if possible it will be addressed but only if there is a solution which will not result in the net decrease in tax contributed by business. It is important that there is a full understanding of the impact of any alternative regime before any decision is made to make any changes. Also given the fact that the Code Group is about to assess the regime, it would be imprudent to make any changes at this time. In fact the EU Commission advised Government officials directly that making changes to the regime during the assessment process can cause confusion and may affect the outcome.