

3.4 Senator F.duH. Le Gresley of the Minister for Treasury and Resources regarding the options contained within the Fiscal Strategy Review Green Paper in relation to personal taxation:

Can the Minister advise whether options contained within the Fiscal Strategy Review Green Paper to raise additional personal tax, if approved by the Assembly, would result in 1(1)(k) category residents being subject to a 30 per cent higher rate of income tax on income above £100,000 and, if not, why not?

Deputy E.J. Noel (Assistant Minister for Treasury and Resources - rapportuer):

The simple answer to the Senator's question is no. However, 1(1)(k)s have a special tax regime relating to them, which is contained in Articles 135A and 135B of the Income Tax (Jersey) Law. The Fiscal Strategy Review Green Paper makes it clear that we are conducting a review of the pre 2005 and post 2005 1(1)(k) tax regime and we will be making an announcement on this matter in the December budget.

3.4.1 Senator F.duH. Le Gresley:

Would the Assistant Minister take the view then that to change the tax arrangements for 1(1)(k) category residents would be immoral when he is prepared to put forward such an option for the rest of Jersey's personal tax payers?

Deputy E.J. Noel:

No, I do not share that view. The view I have is that we have to look at this issue and we have given an undertaking to look at this issue.

3.4.2 Deputy D.J. De Sousa of St. Helier:

I wonder why the Assistant Minister answered so quickly and said "no" to the question when the whole idea of the review is to look at all measures of tax. Will he look at the 1(1)(k)s?

Deputy E.J. Noel:

I could answer the question very simply before because it was a straightforward answer. I believe in giving straightforward answers, in this case we are looking at it.

3.4.3 Deputy T.M. Pitman of St. Helier:

I think that meant that the Assistant Minister is not looking at it. Could I ask him, given his answer, does he adhere to the Leona Helmsley belief that tax is for little people - and I do not mean diminutive people?

Deputy E.J. Noel:

Being short of stature, I believe that taxes apply to all people. I do not share that view. We have a mildly progressive tax system and long may that continue.

3.4.4 Senator S.C. Ferguson:

Given that there are only 12,000 or so people who pay tax at the full 20 per cent, can the Minister tell us how many people earn more than £100,000 a year?

Deputy E.J. Noel:

I do not have those figures to hand but I am willing to get those and pass them on to the Senator.

3.4.5 Deputy G.P. Southern of St. Helier:

In the light of the forthcoming debate on the Annual Business Plan, does the Minister not consider that to announce tax changes, which are alternatives to cuts being made in the Annual Business Plan, as late as December is inadequate for this House to properly consider the regime and the programme of cuts that are being proposed?

The Deputy Bailiff:

I am not sure that cuts are related to income tax, Deputy. I will come back to you with a different question reformulated in just a moment.

3.4.6 Deputy M. Tadier of St. Brelade:

Would the threshold for £100,000 apply as a household income or simply for individual income?

Deputy E.J. Noel:

This is, I believe, an item that is going to be answered in a question later on this afternoon, but my understanding is that the example given in the Green Paper is based on our current tax system whereby if it is a married household it would be their combined incomes; if it was an unmarried household it would be their individual incomes?

3.4.7 Deputy M. Tadier:

Why is this not made clear in the consultation paper? Clearly this is a very important distinction. There may be people out there who would be very happy to support a higher income rate for £100,000 on personal income for an individual but not for a family. Will the Assistant Minister undertake to make this clear in any future consultation so that the public can give an informed opinion on the matter?

Deputy E.J. Noel:

I am happy and hopefully the public, through answering this question today, will have a better understanding.

The Deputy Bailiff:

Deputy Southern, do you wish to reformulate your question on the basis of tax, not on the basis of cuts, which is not the subject of the question?

3.4.8 Deputy G.P. Southern:

I will certainly reformulate it in terms of the supply of public services which are intended to be reduced, there are 2 mechanisms by which one can deliver public services. One can decide to deliver fewer public services or one can raise taxation. The issues here are should we not be considering taxation at the same time as we are considering the proposed cuts and will the Assistant Minister endeavour to produce figures or to produce tax measures in time for the Annual Business Plan debate?

Deputy E.J. Noel:

Tax measures are dealt with once a year in the budget and that is when we will be bringing forward, after this consultation period, proposals for any tax increases.

3.4.9 Deputy M. Tadier:

In the very first question the Assistant Minister was very quick to say, no, it would not result in 1(1)(k) residents being subject to a 30 per cent tax rate. Could the Assistant Minister confirm that a Green Paper is effectively a consultation with the public and

we cannot give firm answers until the public have given their opinions and if the public do say we want this higher rate of income tax to apply to 1(1)(k) residents as well, then that should be taken into account, and the Minister is wrong at this point to give such a categorical answer?

Deputy E.J. Noel:

Yes, we will give due credence to the results of the consultation programme, and I do not believe that I am wrong in answering the question directly.

3.4.10 Senator S.C. Ferguson:

Does the Minister consider that a system where 18 per cent of individual taxpayers pay 60 per cent of the tax arising from individuals; does the Minister not consider that that is in fact a progressive system?

Deputy E.J. Noel:

Again I believe in short answers. No, that is not necessarily correct. You could have a non progressive system using such statistics. Quite equally you can have a progressive system using those statistics. You have to look at more detail than that.

[15:00]

3.4.11 Senator F.duH. Le Gresley:

Could I ask the Assistant Minister if I would be wrong to assume that raising the rate of G.S.T. (Goods and Services Tax) is in fact the preferred option?

Deputy E.J. Noel:

The good Senator is wrong, it is not a presumption. We are going through a consultation period. That period finishes its initial stage at the end of August and we will listen to what is being said.