1240/5(5932)

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES BY DEPUTY G.P. SOUTHERN OF ST. HELIER ANSWER TO BE TABLED ON TUESDAY 18th JANUARY 2011**

**Question**

Was the review '*of all aspects of 1(1)(k) taxation by an individual with international expertise in wealth management*' mentioned in the Minister's response to question 4996 on 8th December 2009 ever conducted and if so, by whom?

Given that in response to question 5228 on 23rd March 2010, the Minister advised the review would "*encompass arrangements prior to 2005*" when Article 135A of the Income Tax Law came into force, what advice has he received on the treatment of taxation of currently resident 1(1)(k) residents who obtained consents both before and after 2005 and why was no mention of arrangements prior to 2005 made in his 2011 budget speech?

Will the Minister clarify whether the £100,000 minimum 1(1)(k) tax contribution (raised to £125,000 in the 2011 budget) refers to Jersey income, foreign income or both?

Will the Minister give members details of the "*new high-value residents' regime for new residents*" that he proposed in the budget to raise over £2m additional tax?

Will he detail the changes to tax revenues he expects from the decision to limit 1(1)(k) tax on worldwide income at 20% on £625,000, instead of 20% on £1m and 10% on the next £500,000 as at present?

**Answer**

The review of 1(1)(k)s is well progressed with some independent research undertaken during 2010 by a London based law firm. A report is being prepared, for publication by March this year, which will set out proposals for changes to the 1(1)(k) regime. The independent research contains tax sensitive information and for that reason will not be published. However the conclusions of that review and extracts from it will be referred to in the report currently being prepared.

I am also establishing a Ministerial advisory group including the Ministers or Assistant Ministers from Housing, Economic Development and Treasury to review the proposals. I intend to lodge draft tax law for debate before the Summer recess and to work with the other Ministers to develop other policies during 2011 to ensure Jersey attracts more wealthy individuals.

The independent advice was clear that if Jersey wanted to maintain and expand the tax contribution from its 1(1)(k) regime, no changes should be made to the tax rules that apply to existing 1(1)(k)s. Those who arrived before 2005 already pay 20% on all of their taxable income. To change the tax rules that apply to those already here would indicate instability and Jersey would struggle to attract more wealthy residents.

The £100,000 minimum tax contribution (now £125,000) refers to tax on both Jersey and foreign source income.

The £2m additional tax referred to was illustrative of the tax that could be raised if 15 new applicants were attracted under the new regime. As set out clearly in the Budget speech part of that regime includes a change to the tax rules but there will also need to be a focus on marketing to ensure people are aware that Jersey is open for business.

The purpose of the proposed changes to the tax law for 1(1)(k)s is to maintain Jersey's competitiveness and prevent the current practice of capping tax liabilities that sometimes occurs under the existing regime. The new regime is intended to discourage them from doing so and bring their business to Jersey rather than put it in another jurisdiction. The additional tax revenues likely to arise as a result will depend on how many Jersey successfully attracts. That will depend on many factors other than just the Jersey tax regime but it is important that the tax regime is competitive against such jurisdictions as Switzerland, Singapore, Guernsey and the Isle of Man.

Further details of all of these aspects and any proposed changes in the regime will be provided in the report currently being prepared which will be published by March this year.