

2.9 Deputy T.M. Pitman of the Minister for Treasury and Resources regarding the release of a report relating to 1(1)(k) residents:

Following statements from his Assistant Minister that a confidential report indicating that 1(1)(k) residents bring a financial benefit in excess of £50 million cannot be released to Members to enable them to verify these claims, will the Minister agree to release the document under the Code of Practice on Public Access to Official Information? If not, does he accept that this will only cast doubt on the validity of such claims?

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

The Deputy will be aware that there are exemptions to the Code of Practice on Public Access to Official Information; several exemptions are relevant in this instance, paragraph 3(2)(i)(a), 14, and possibly paragraph 9 and 12. This means that the report cannot, in its complete form, be published although of course the Scrutiny Panel can request and review the report under the confidentiality agreements that we have. So, therefore, while publication is not possible there can be oversight and scrutiny by Members of this Assembly. I do appreciate the interest that the Deputy and other Members have shown in this report and I want to try and be helpful. I have asked that an executive summary of the report is prepared which takes out the confidential aspects of the report which cannot be put into the public domain, and that report is made available as soon as possible. I have also arranged for a briefing for Members to be done by the authors of the report and that briefing should, I hope, be useful to Members to understand some of the context and also some of the international comparative work that has been going on in relation to other 1(1)(k) regimes. As for the validity of the claim that they contribute in excess of £50 million, I repeat what has been said before, this is an estimate of the total contribution based on experiences in similar jurisdictions. Whether this number is correct is frankly irrelevant, in my view it is sufficient to know that this small group of wealthy individuals contributes directly more than £13.5 million of direct tax.

2.9.1 Deputy T.M. Pitman:

I thank the Minister for his answer and this is relevant, given that the World Bank data reveals that globally the move to give beneficial tax breaks to the super wealthy over the last 30 years, i.e. a bigger slice of the pie in order that there will be more pie for the rest of us, has not in fact worked. Does he not agree that it is high time Jersey led the way to consign these policies to the dustbin or at least prove that it works in Jersey by finding some way to give us all this information?

Senator P.F.C. Ozouf:

I am not sure that the Deputy and I are going to agree fundamentally on whether or not this is good for the Island; the Deputy has a particular view that these arrangements should not exist internationally. The report that I will be publishing in the abridged version sets out the comparative regimes that are in place in Malta, Isle of Man, Monaco, Guernsey, Hong Kong, Luxembourg, Cypress, B.V.I. (British Virgin Islands) Cayman, the U.K., Montenegro, Switzerland and all these other places. So I do not think there is any doubt in my mind... I have no doubt that the 1(1)(k) regime has benefitted Jersey and I am going to be lodging legislation after the panel that I have set up with my Assistant Minister, Housing, and Economic Development, for a new 1(1)(k) regime for Jersey so we can continue to benefit... our community can benefit from direct tax contribution and the economic benefit that these individuals - who have a choice of where they locate - can benefit Jersey.

2.9.2 Deputy M. Tadier:

Does the Minister accept that this is not about what an individual States Member's opinion may be of 1(1)(k)s or the tax regime, it is about access to information. Now, we have been told by the Assistant Minister... he has made an assertion that 1(1)(k)s bring a financial benefit in excess of £50 million; now the States Members and the public are not being given the working for that answer. It is only right, does the Minister not agree, that we should have access to how that figure was arrived at but also on the other hand questions are being asked about what perhaps the negative financial implications are and the social implications are for having 1(1)(k)s, and the Assistant Minister has blithely answered that he does not think that there are any. But it also acknowledges that there is no desire for a cost benefit analysis to be held of 1(1)(k)s. So will the Minister give an undertaking at least that a cost benefit analysis would be desirable so that we can look at these things in the round and base these calculations on evidence rather than on any kind of ideological doctoring?

Senator P.F.C. Ozouf:

I have to say I have a great deal of sympathy from what the Deputy is saying. I was not in the Assembly when my Assistant Minister answered the questions but Deputy Noel was quite right because he was being asked about the specific report and we do have a difficulty in publishing the whole of that report. But what Deputy Tadier is asking is justification of the workings of how we justify our overall cost benefit analysis for 1(1)(k) regimes and I am happy to provide that and certainly I am going to have to argue on my feet in this Assembly why we should be changing the 1(1)(k) regimes and I fully accept that Members need to be completely informed of all of the benefits and the costs associated with a 1(1)(k) regime. I am going to do a briefing with the people that wrote the report, we will do another briefing on the new regime and we will have a debate in this Assembly and of course it is a matter that Corporate Services Scrutiny Panel can review as well as I would expect that they would be wanting to comment and scrutinise that legislation. I do not think the report is going to show that there is a net loss to Jersey of having 1(1)(k)s. 1(1)(k)s have historically benefitted Jersey directly and indirectly and I want to see more of that benefit accruing to the Island.

2.9.3 Deputy M. Tadier:

I thank the Minister for his partially encouraging words but, at the end of the day, how is the Minister going to show whether or not there is any kind of social disadvantage, for example in the housing market to do with the price of first-time buyer homes, if for example the 1(1)(k) regime was not in place and had not been in place? Is it possible to do this to have a meaningful debate on the issue?

Senator P.F.C. Ozouf:

Again I sympathise with the Deputy and I understand exactly how it is naturally possible for the argument to be constructed that because we have had 123 1(1)(k)s historically and they have bought expensive properties, that that has had an impact on the housing market. I fully accept that I have got to explain, with my Assistant Ministers as we attempted to do so in the past, how this does benefit overall the Island and how a carefully judged, a carefully allocated number of 1(1)(k)s does not have the unintended consequence of making house purchase for young people harder. I do not think it does because it is the high value properties that these people are buying and it is obviously low value properties, that is what they want, the first-time buyers want low value properties, and we would need to do other things - I have said in this Assembly many times - one of the unintended consequences of economic growth in Jersey is high house prices, which is why we have got to do something about

affordable homes and things like shared equity. But I am happy to argue all of these points at the appropriate time when we have the legislation before us, and in advance.

2.9.4 Deputy G.P. Southern:

The Minister produced a great long list of people with whom we can be compared, but he said: “the experience in other places” did he mean the experience, i.e. have they got real figures, or did he mean an estimate of what happens in other places? Also can he state among that particular long list how many of those are whitelisted rather than grey or blacklisted?

Senator P.F.C. Ozouf:

That is a good question but it is not relevant. I do not know what grey list or white list he is talking about if it an O.E.C.D. (Organisation for Economic Co-operation and Development) in those countries that have set up arrangements for transferring information. I think all of those countries that I have listed now are on the white list because they are all signing tax information exchange agreements, but I think that is, with respect, a different issue. What is very interesting is how other countries have put in place beneficial regimes in order to attract high net worth individuals. They have done it and their parliaments have approved it and there is a whole range of political opinion in these different countries. There is an interesting debate in Switzerland on this matter, they are making arrangements in their own national tax policies to attract people that bring revenue, that bring prosperity, that bring economic benefit to their countries and I am keen that we compete to highly mobile individuals who have choices about where they live, who benefit other countries. I do not think we have had enough of them. [Approbation] I do not say hundreds but a few of them can benefit our economy and I want to see that happen and I am certainly going to be laying before this Assembly a competitive regime designed to benefit Jersey and we will see in that report what is available in other countries.

2.9.5 Deputy G.P. Southern:

If I may, a supplementary, because the Minister, while producing a wonderful answer did not answer the question, which was is the comparison with real figures in these other jurisdictions, i.e. he said experience in other jurisdictions, or are they estimates? Are we just talking about a bunch of estimates rather than our single estimate?

Senator P.F.C. Ozouf:

A big and complicated subject is difficult just to boil down into ... I think what the Deputy wants to know is what is the equivalent 1(1)(k) regime that is available in the Isle of Man or Guernsey or Malta or Cypress or Switzerland in various different cantons. I certainly need to set that out so that we can see the competitiveness of our own regime. I would just remind the Deputy that our regime is quite expensive compared to quite a lot of other places and that is why we have not had the large inflow of high net worth individuals that some other countries have. Guernsey has had a more beneficial regime, as has Switzerland and a number of other places and we are quite expensive, but we made a decision that a small amount of 1(1)(k)s with a high amount of tax contribution to the exchequer was the best policy and that will continue to be the case but it has got to be reasonably competitive.

2.9.6 The Deputy of St. John:

Would the Minister agree that 1(1)(k)s are very beneficial to the Island and will he continue to talk-up the Island for 1(1)(k)s to enter, as they are very important to the Island's future? Early on in the early days of 1(1)(k)s coming to the Island will the Minister agree that in purchasing a lot of the old derelict properties that they did -

local people could not afford at that time to renovate these properties - and it was only through the 1(1)(k)s that the Island has been able to benefit some of these beautiful old properties which have now been listed to pass on to future generations?

Senator P.F.C. Ozouf:

I would warmly agree with the Deputy on that issue. 1(1)(k)s and our own indigenous high net worth individuals have benefitted our countryside, they have benefitted our historic properties in Jersey to a great extent. The Deputy is right to ask me to talk-up Jersey and to talk-up 1(1)(k)s and that is exactly what we must be doing over the next few months. The world now is emerging from the dark days of the recession: we are in a fantastic position to compete, we are in a great position without any of the hangover of debt and other problems that other countries have with their very high rates of tax, having to repair their public finances. We are in a unique position to attract business, to attract innovative people that can benefit our economy and run their businesses from Jersey and that will help us in our challenges to fund public services into the future without having to worry, as is happening I am afraid in Parish Halls around the Island, without Islanders being concerned that tax rates are going to go up and up and up because we have to pay for things like healthcare service. It does not have to be that way, we are in a great position and, yes, I will talk it up.

Deputy P.V.F. Le Claire:

I have just noticed that there are questions without notice to the Minister for Treasury and in his absence the Chief Minister which will be answered by Senator Ozouf so I will wait.

2.9.7 The Deputy of St. Mary:

I just wanted to go back to the cost benefit analysis issue and ask the Minister to confirm that when Members are briefed by the people who wrote the 1(1)(k) report that the cost benefit analysis figures or ideas and concepts will be in front of Members at that time and not brought to the table on the late side. Will we have that information as well in order to base judgments on earlier rather than later?

Senator P.F.C. Ozouf:

I will do my best but I understand the Deputy... I am not sure whether or not I am ever going to convince some Members of this Assembly that 1(1)(k)s are a good thing for Jersey so some Members continue to ask me questions to provide reports for the answers that they want and I am not sure - with the greatest of respect - that I am going to be able to do that. But I have to argue a new 1(1)(k) regime through this Assembly, it is important that Members have full information and I will ensure that Members are given good time and good information in order to make that important decision.

The Deputy of St. Mary:

The Minister is entitled to his view and we are entitled to ours.

Senator P.F.C. Ozouf:

I completely respect that, this is how we resolve issues in a democratic Assembly.

The Deputy Bailiff:

Mutual admiration at its best. [Laughter]

2.9.8 Deputy T.M. Pitman:

I can soon put an end to that. I always look for common ground and I have to say I can certainly agree with the Minister that we certainly have not had enough of these individuals' money. I would like to say to the Minister that I too always talk-up Jersey but I will also always talk-up morality, honesty and social justice.

Does the Minister not concede that is equally as important and will he allow such individuals as myself to possibly take part in his review into the way forward for 1(1)(k)?

Senator P.F.C. Ozouf:

I share the Deputy's view about wanting to get more revenue from 1(1)(k)s and I think that we just differ in how we are going to achieve that. The Deputy, I think, thinks that we can extract more revenue from individuals: I would argue that is going to mean that we will see these individuals go to other places. What I do want to do is to end the situation where 1(1)(k)s are not bringing their wealth and their investments and their family offices to Jersey. We have a strange situation that the current arrangement is structured that 1(1)(k)s structure their affairs in nice places like Guernsey but they do not do it here and I want to see 1(1)(k)s having a regime that means that they bring the whole of their wealth and that is managed from Jersey. That is good for jobs, that is good for revenues. I will take up the Deputy's offer of a review, there is a working party consisting of Housing, Economic Development and Treasury, there is that working party that is coming forward with proposals. I will ensure that those proposals are going to be published as soon as possible and the Deputy - like all Members of this Assembly - is going to be able to take part in a workshop on the 1(1)(k) regimes before it is lodged before the Assembly. So in that context, yes, he can be involved.

2.9.9 Deputy T.M. Pitman:

Could I just seek clarity from the Minister on something he said very briefly. In his previous answer he seemed to intimate that we will be able to have a meeting, a summary, with the people who wrote this report, yet his Assistant Minister had said that we could not even know who did write the report. Could he just clarify that?

Senator P.F.C. Ozouf:

Yes, I have discussed it with the Assistant Minister and we are as one in relation to the fact that now we are completing this work and the code of information requirements are abilities for a Minister, when there is policy under review, we can hold back information. There is a point at which the information does come into the public domain and the report which was done by Withers LLP, which is a London-based law firm, and Panopticon, an independent policy adviser unit, we are the stage now where we can be more advanced and we can be more expansive in terms of the information that we have got. The Assistant Minister is doing a very good job in relation to steering the working party on that is looking into this matter.