

**WRITTEN QUESTION TO THE MINISTER FOR ECONOMIC DEVELOPMENT
BY DEPUTY G.P. SOUTHERN OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 3rd MAY 2011**

Question

In the debate on the proposition 'Income tax – introduction of higher rates' (P.23/2011) on 6th April 2011 the Minister stated that following the introduction of a 50% tax rate 'Major companies and wealthy individuals departed the UK in their droves.' Is the Minister aware that in a written answer given to the House of Commons on 9th March 2011 the UK Exchequer Secretary Mr. David Gauke MP stated that in the 3 years to 2009/10 only 18 companies moved their headquarters from the UK for tax reasons; does the Minister therefore accept that his statement was misleading and, if so, will he withdraw it?

Would the Minister set out what evidence, if any, his Department has to indicate that higher personal tax rates would lead to an exodus of companies from Jersey and, if he has no such evidence, does he accept that any threats to that effect can be safely ignored?

Answer

Mr David Gauke MP, the UK Exchequer Secretary, actually said "Businesses may move their headquarters for a combination of reasons, including tax, and can restructure in different ways with different tax consequences, depending on the facts in each case. One form of restructuring involves businesses formerly headed by a UK tax resident company creating a new parent company that is claimed to be tax resident elsewhere. Businesses are not required to inform HMRC of this change, but on the basis of research undertaken by HMRC, we believe the numbers are as follows":

	<i>Number</i>
2007-08	1
2008-09	10
2009-10	7
2010-11	4

The figures quoted by Mr Gauke, whose response states "One form of restructuring" therefore represent an estimate of a specific type of relocation and do not capture the movement of wealthy individuals and businesses that are being establishing outside of the UK.

Discussions with professional intermediaries in London and reference to independent surveys support the view that raising tax rates are influencing the decisions of companies and wealthy individuals to relocate outside of the UK. As an example Sunday Times Rich List compiler Philip Bersesford analysed data from Companies House that showed more and more limited liability

companies and partnerships are moving offshore. It showed that Entrepreneurs and business people are leaving the UK at a rate of 10 a week to escape higher taxes.

With regard to Jersey, raising our tax rate would affect our competitiveness and represent a serious threat to our economy. This is consistent with feedback from professional intermediaries, businesses and wealthy individuals on the Island.

I do not believe that my comments were misleading and will not withdraw them.