

2.17 Deputy G.P. Southern of the Minister for Treasury and Resources regarding the balance between personal and company tax revenues:

I am really looking forward to this one. Is the Minister satisfied that he has achieved the correct balance between personal and company tax revenues in the economy, following the full implementation of the Zero/Ten tax regime?

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

I suppose the first thing I should do is to remind the Deputy that as our economic advisers always remind us, companies do not pay tax. Their shareholders might but taxes might equally be passed on to customers in the form of higher prices, or their employees into lower wages. On that basis I would ask the Deputy what he considers to be the correct balance to be. So, the issue of the balance needs to be considered against keeping Jersey internationally competitive. We have undertaken last year a substantial review of fiscal strategy. I announced in the budget speech in December that a new Tax Policy Unit was being set up within the Treasury Department. This unit is currently conducting a further thorough review of all aspects of Jersey tax policy with a view to developing our long term strategy and of course maximising all revenues where we can.

2.17.1 Deputy G.P. Southern:

Does the Minister accept the data that I have circulated today, which suggests that personal tax over the past decade has doubled, while company tax and revenues from the companies have at least halved?

Senator P.F.C. Ozouf:

There is nothing new in any of that information circulated by Deputy Southern. In fact, I think it is quite useful because Members can look at it, and they can remind themselves of the difficult situation that the Island faced when needing to deal with the Code of Conduct view of our original taxation policy in relation to the exempt and non-exempt and the consequences of that to our revenues, which cost the Island £100 million, which of course was deferred later than the other Islands but we kept hold of that revenue as long as we could. Also, the impact of the economic downturn, which further impaired our revenues in 2009, 2010 and 2011. I certainly hope that our corporate revenues on the back of rising interest rates in subsequent years will rise from these levels.

2.17.2 Deputy G.P. Southern:

Can the Minister justify the fact that for 2011 the estimate for company tax is a mere £65 million, and for personal tax, which includes A.M.P.O. (Average Mandatory Provisional Contribution) and G.S.T. (Goods and Services Tax), it is £436 million from the pockets of ordinary working people in Jersey?

Senator P.F.C. Ozouf:

He has obviously been practicing his lines in relation to this point-scoring issue. I am afraid I am happy to take responsibility for all matters in the Treasury and to the effective collection of income tax, but I am afraid I cannot atone for the competitive world in which we live, which caused a lot of the decline in our corporate tax revenue. The need to move to a 10 per cent rate was one of the most important contributors to the original £100 million deficit of Zero/Ten and I am afraid I cannot atone for the

global turmoil which has seen our corporate tax revenues fall, but I am optimistic that we will see them rise in subsequent years.

2.17.3 Senator J.L. Perchard:

Does the Minister agree that the correct balance referred to by the questioner is in fact the balance and fiscal policy of the Council of Ministers and, more importantly, the balance of fiscal policy of the States of Jersey as a whole?

Senator P.F.C. Ozouf:

Absolutely. That is exactly right. I am simply the person who brings forward proposals on behalf of the Council of Ministers in relation to tax, and I would say one other thing in relation to corporate revenues. If this Assembly had not taken the sensible decision to move to Zero/Ten and also the economic policies of the past we would not over the last few years, which have seen many sensible decisions made, we would not be having any corporate tax revenue to speak of at all and we certainly would not be having the employment in the Island which underpins the important contribution in the revenue of income tax on personal matters.

2.17.4 Deputy M. Tadier:

Earlier the Senator made a statement that companies do not pay tax, that individuals do. Does the Minister confirm that that is simply an opinion, and in fact if we look back at Deputy Southern's statistics in the past, less than 10 years ago, company tax accounted for the majority of tax revenues in Jersey, so that is simply an opinion.

Senator P.F.C. Ozouf:

There are 2 things. First of all, it is not my opinion but it is the opinion of any credible economist that the Deputy would wish to question. Secondly, I agree. Corporate tax revenues in the early 2000s were very significantly higher than they are today and that was, it could be argued, revenue that we could not hold on to in the longer term because of competitive pressures outside of the Island in relation to needing to compete with a special rate of 10 per cent financial services, and all of the other things that we need to compete on.

2.17.5 Deputy M. Tadier:

Does the Minister not accept that it is an opinion which is held by right-wingers who are morally corrupt? Sorry, I meant to say in the morally corrupt and universally disproved theory of trickle down, which we know went out with the Thatcher years. In fact, does the Minister also acknowledge that the issue is that companies do not pay tax on their expenditure while people who pay tax themselves are liable for taxation on their expenditure, even if they spend all of their salaries?

Senator P.F.C. Ozouf:

I do not know who the Deputy speaks to - I have a suspicion I suppose - but in relation to economic advice I take the best of economic advice. The Island is served from the likes of individuals who serve on the F.P.P. (Fiscal Policy Panel) and I do not think that the comments that the Deputy made in relation to the economic advisers that the Assembly has, and I have, should be linked to the question that he raises. I am afraid the Deputy also lives in a parallel universe from me in relation to the need to compete. The Island needs to compete. We need competitive tax rates. We need good laws. We need stable government, but we need innovative departments like Economic Development to deliver business into the Island to continue to keep jobs on

income tax, which provide the services that this Assembly wants to spend on and I think this comment shows that we are doing a fairly good thing. I would also say to the Deputies who are asking these questions, that our corporate tax percentage of total revenue in Jersey are the same as Jersey in the Isle of Man, if not a little ahead.

2.17.6 Connétable P.F.M. Hanning of St. Saviour:

The Minister has said how useful these figures are. Perhaps he could explain to us, if he can from them, the obvious increase in personal tax as the total has shown. A large proportion of that, I suspect, is going to be due to the increase in salaries and wages over the 10 or 11 years. If you take that out, can he tell us how much the increase in taxation is for personal tax?

Senator P.F.C. Ozouf:

I think the Connétable asks a very good question because of course it does need to be broken down. Jersey has been remarkably successful in upping the value of jobs in the Island. We have seen, in financial services particularly ever-increasing salaries because we have higher value jobs in financial services and that will be an important contributor to that. Also, the scale of other jobs in other sectors of the economy. I will see whether I can find some interesting and informative data in order to explain to the Constable's detailed question, but it is quite complex, what has changed in terms of policy, what has changed in terms of income levels and jobs in different sectors, but I will see what I can do.

2.17.7 Deputy M.R. Higgins:

Would the Minister accept that the competitive pressures around the world to which he refers are likely to further increase the share of tax paid by private individuals and reduce the share paid by corporations?

Senator P.F.C. Ozouf:

I certainly think that around the world there will be a move in the next couple of decades to governments getting revenue in order to fund their services from individuals and on consumption and indeed on property taxes too. That is generally the world in which we are moving. We are moving away from a world in which governments rely on corporate tax revenues. I suppose the only good thing that has happened in Jersey is that we have dealt with that imbalance of revenues. We now have effectively a more balanced taxation revenue stream. We have consumption tax, we have income tax and we are less reliant on corporate tax in the longer term, but of course as the Minister for Treasury and Resources and the new Tax Policy Unit we will do everything we can now and into the future to maximise corporate tax where we can, but I do not think there is any further imbalance that is going to happen because of what has happened in the last few years.

2.17.8 Deputy G.P. Southern:

Given that in answer to written question 22 the Minister said: "To gather the data requested in this question will take a significant amount of resource." I am pleased to hear that the Minister will set one of his officers working on these figures and, before we get the spin that he puts on them, will he confirm that the general trend from doubling of personal tax and halving of company tax is in fact correct?

Senator P.F.C. Ozouf:

That question is a bit rich from the Deputy in calling spin when he has rehearsed his lines and trying to make points, which have already been discussed in this Assembly many times before about the balance of corporate and personal tax. So, there is no spin in relation to what I say. I say facts and I am asked to give information. What I also will do is I will attempt to direct my officials into the areas that are likely to get us more tax revenue in the longer term, and I do not want my officials wasting their time on rehashing data, which is only going to serve the purposes of Deputy Southern in point-scoring in this Assembly against me.