

5.15 Deputy G.P. Southern of the Minister for Treasury and Resources regarding the worldwide income of 1(1)(k) residents.

Will the Minister inform Members what powers, if any, there will be to identify and assess the worldwide income of 1(1)(k) residents under the proposed new tax regime?

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

1(1)(k) residents are treated exactly the same as any other taxpayer. They complete an annual tax return, which contains a complete and correct statement of their worldwide taxable income. The controller can then use his powers given to him under the Income Tax Law to inquire into their tax affairs, carry out any investigation of 1(1)(k) residents and raise additional tax assessments where he deems necessary. This has always been the case for 1(1)(k) residents and the proposed changes before the Assembly do not change those arrangements in any way.

5.15.1 Deputy G.P. Southern:

There is a fundamental restructuring of the 1(1)(k) tax regime which says that now all worldwide income beyond a certain limit will be subject to 1 per cent tax. Is it not the case that under the new regime this would encourage high net worth individuals to bring their businesses to Jersey and be charged a mere 1 per cent on the income that they derive from those businesses, compared with 20 per cent or 10 per cent for their competitors who are not 1(1)(k)s?

Senator P.F.C. Ozouf:

Yes, and I hope the Deputy enjoyed and benefited from the presentation given yesterday. So, I look forward, if the Assembly is persuaded by the arguments for the Treasury to introduce the new regime, for the first time to these 1(1)(k) individuals bringing their significant wealth and resources to the Island, creating jobs and boosting the financial services sector on the result of it, instead of having unfortunately the situation where 1(1)(k) residents do not bring their assets to Jersey and, in many cases - not that I am against Guernsey - run their affairs in Guernsey.

5.15.2 The Deputy of St. Mary:

The Minister has just talked about 1(1)(k)s boosting the economy with their investments. What measures will the Minister be taking to ensure that 1(1)(k)s, with their vast resources, do not squeeze out local businesses?

The Bailiff:

That is drifting a long way off the original question.

The Deputy of St. Mary:

He brought it in, Sir.

Senator P.F.C. Ozouf:

I am not sure whether the Deputy was at the presentation yesterday where there was a number of important questions asked and answered. I think one of the concerns is rental property income, which of course remains at 20 per cent across the board for both 1(1)(k) residents and others as a standard deduction.

5.15.3 The Deputy of St. John:

Would the Minister agree with me that the continual attack on 1(1)(k)s is sending out the wrong message to those people who have moved to the Island to make their home and it is creating a “them and us” society which is totally unfair to all.

Senator P.F.C. Ozouf:

I agree with the Deputy 100 per cent. Moreover, he also, I think, shared with some frustration the message that we were told from our external advisers that somehow the message had gone out from the Island that we did not welcome 1(1)(k)s and we were closed for business. I want to send out a very clear message that we are open for business, that this Assembly will consider this new regime and that we look forward to those 1(1)(k)s bringing business, bringing jobs, boosting prosperity to the Island and I thank the 1(1)(k) for their £313.5 million annual contribution to the tax take of the Treasury and all the other benefits that they bring. **[Approbation]**

5.15.4 Deputy T.M. Pitman:

In fairness to the Deputy of St. Mary, I should point out he was at Scrutiny yesterday, as I was. I did get there, of course. There are a lot more questions that were not answered yesterday but what I would like to know is, with this awful message that the Deputy of St. John was sending out, in 2010 a Jersey-based individual was about to make transactions of more than £90 million. Now, we are going to offer them to be taxed at 1 per cent. What kind of message is that sending out to the ordinary people being told to tighten their belts? It is an immoral message, that is what it is and it is a 2-tier society.

Senator P.F.C. Ozouf:

The Minister does not agree.

Deputy T.M. Pitman:

Did he answer?

5.15.5 Senator T.J. Le Main:

Will the Minister for Treasury confirm that Jersey is in strict competition with London, Ireland, Switzerland and other places to attract wealth creators such as 1(1)(k)s who contribute hugely to the wealth of their countries?

Senator P.F.C. Ozouf:

Absolutely, and that is the very valuable information that is contained within the report that has now been issued by the Treasury advisers. But this is, indeed, a competitive marketplace. High-net-worth individuals have options in terms of where they locate their business and the truth of it is that perhaps we have not been as successful as we should have been in the last few years in attracting these people. The regime before the Assembly is designed to deal with that and to send out the message that we want wealth-creators and we want their business and we value them and we respect them.

5.15.6 Deputy G.P. Southern:

Is it not the case that this is the significant reduction in the contribution from 1(1)(k)s that the Minister is expecting, as witnessed by the fact that in the past a 1(1)(k) with an annual income of over £1.5 million would be expected to contribute and would contribute something like £250,000, whereas now the new target is £125,000.

Senator P.F.C. Ozouf:

The direct target is £125,000 but of course there is going to be additional benefit to the economy over and above that. The deduction of any investments in Jersey property at 20 per cent, the other jobs and other income tax and other benefits that the economy will take, quite apart, of course, from the 5 per cent G.S.T. (Goods and Services Tax) on the local spending. These are all other aspects which are important to take into the round in deciding the 1(1)(k) regime to the Island.

5.15.7 Deputy G.P. Southern:

Does the Minister accept that in proposing that these particular businessmen pay only 1 per cent tax on their earnings, he is introducing an equitable system into the Jersey tax?

Senator P.F.C. Ozouf:

Of course, what the Deputy does not say is, of course, that they are paying £125,000 minimum contribution and they are likely to be paying significantly more than that. I doubt anything that I say in relation to 1(1)(k) is ever going to persuade the Deputy. He will have his chance to vote on the regime when we debate it, hopefully later on in this sitting, in the Assembly and the democratic will of the Assembly will prevail.