

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES  
BY DEPUTY T.M. PITMAN OF ST. HELIER  
ANSWER TO BE TABLED ON TUESDAY 5th JULY 2011**

**Question**

Given that the Minister concedes that there is no evidence that higher earners or 1(1)k individuals in particular would leave the Island simply because a higher rate of tax was implemented; will the Minister clarify how he justifies proposing allowing 1(1)k individuals to in future pay even less tax - in real overall percentage terms - as a result of proposals to be debated by this Assembly in July 2011; further still, what would the estimated increase in tax take be if the 1% figure was set at 2%?

**Answer**

The Minister does not concede that there is no evidence that increasing tax rates can affect the behaviour of individuals. He does accept that hard data is difficult to find, although he points to the UK's experience of introducing a higher rate of income tax of 50%, which suggests that higher earners are increasingly considering relocating. This was acknowledged by the UK Chancellor of the Exchequer in his Budget speech in March 2011.

The Minister refers the Deputy to the report accompanying draft Income Tax (Amendment No 39) (Jersey) Law 201- (P.113/2011) which sets out the rationale for changing the tax regime and to the report from the Tax Policy Unit on the review of the regime dated 2 July 2011.

This review concludes that while the direct tax contribution is significant and very welcome, what is equally important is the substantial indirect contribution from which Jersey benefits through their spending in the local economy, job creation and charitable contributions.

The proposed tax changes are designed to boost the economy and increase tax revenues by attracting more wealthy individuals to the Island. These rules should also encourage wealthy people to bring their businesses to Jersey, creating employment and enhancing economic activity in many sectors.

The annual minimum tax contribution required has also been increased from £100,000 to £125,000.

It is impossible to say with any certainty how many new consents will be granted and what the income levels of people seeking to come to Jersey will be. Therefore, whatever percentage of tax is paid, it is not possible to give a firm figure for additional tax revenues raised, beyond the minimum annual contribution of £125,000. It is clear from the review undertaken that the best way to increase the financial benefit to Jersey is to encourage more wealthy individuals and their businesses to the Island. This proposition is intended to do that.