

2.12 Deputy T.M. Pitman of the Minister for Treasury and Resources regarding the tax policy in relation to 1(1)(k) residents:

How is the continuation of the tax policy in relation to 1(1)(k) residents, as proposed in the Draft Income Tax (Amendment No. 39) (Jersey) Law 201- (P.113/2011), consistent with the Council of Ministers' commitment to a "fairer and more equal society" as stated within the Strategic Plan?

Deputy E.J. Noel (Assistant Minister for Treasury and Resources - rapporteur):

I think it is fair to Islanders to maintain and grow the tax and economic contributions from our wealthy residents. Otherwise everyone in Jersey would have to pay more tax in order to support our society. In my view that would not be fair. I trust the Deputy would agree.

2.12.1 Deputy T.M. Pitman:

I do like it when the Assistant Minister answers questions. The myth that policies helping the rich grow even wealthier automatically makes the rest of society better off is completely discredited globally. Without measures in place to ensure such people do invest more as a result. So, given this move to allow the future 1(1)(k)s to pay even less, in real terms, how will his department guarantee that this increased investment will take place?

Deputy E.J. Noel:

It appears that despite the number of times we have discussed this, the Deputy remains under the false impression that by charging these highly mobile individuals 20 per cent on their income or charging them a minimum amount regardless of their income or charging them even at a higher rate that he will increase tax revenue. It simply will not. It will reduce tax revenues as some of these individuals will choose to relocate. More importantly, it will severely limit our ability to attract new wealthy residents and their families to the Island.

Deputy T.M. Pitman:

Sir, can I have a supplementary?

The Bailiff:

Yes, at the end, Deputy.

Deputy T.M. Pitman:

It is an important point from what the Assistant Minister is saying.

The Bailiff:

I will come back to you at the end. Deputy Southern?

2.12.2 Deputy G.P. Southern:

Does the Assistant Minister now accept the words of his Minister for Treasury and Resources when he said in the Fiscal Strategy Review: "No single measure will achieve the twin objectives of raising money in a fair way"? Does he agree that watering-down the increase by 2 per cent of social security contributions on class 2 contributions, which include the 1(1)(k)s is a backing away from that commitment to fairness and balance?

Deputy E.J. Noel:

Fairness and balance in connection with our wealthy residents is one that they provide us with direct taxation of £13.5 million a year. That is from a group of 130 people. We should be expanding that number and encouraging them. That is exactly what the new policy under Amendment 39 does. It makes us more competitive to attract more wealthy residents to come and locate here, to bring their businesses here and to add to our economic prosperity.

2.12.3 Deputy G.P. Southern:

Will the Assistant Minister address the question of backing away, watering-down the 2 per cent additional on 1(1)(k)s. which is his Minister's commitment to fairness?

Deputy E.J. Noel:

Wealthy residents contribute going forward if the amendment to the tax law is approved at least £125,000 a year. That is a substantial amount of tax. It should be welcomed.

Deputy G.P. Southern:

Again, I point out that the Assistant Minister has completely failed to address the question.

The Bailiff:

The question, Assistant Minister, was about the 2 per cent.

Deputy E.J. Noel:

We have to look at this in the round, not just in isolated pockets. It is the overall contribution to our society that these individuals make that is important, not individual elements.

2.12.4 Deputy M. Tadier:

If I understood the rationale, the Assistant Minister was saying that because 1(1)(k)s pay tax that Jersey residents would otherwise be paying that is fair. Would the Minister consider making it even more fair and making it so that only 1(1)(k)s pay personal income tax?

Deputy E.J. Noel:

I like to live in reality.

2.12.5 Deputy M. Tadier:

Supplementary then, Sir? Perhaps more seriously, does the Assistant Minister acknowledge that one of the effects that is not fair is that the 1(1)(k)s in Jersey do have an inflationary effect on house prices, which was already a big issue for young Jersey residents with families?

Deputy E.J. Noel:

I believe that the good Deputy Tadier is completely incorrect there. I do not believe that 1(1)(k)s have any influence on the housing market for local residents.

2.12.6 The Deputy of St. John:

Would the Assistant Minister agree that we have seen in recent months, in this case a Member of this House, being attacked on grounds of religion, by what is going on now in recent times in this Chamber by Members continually, continually, attacking

1(1)(k) residents that we are sending out the wrong message to people coming to this Island and people living in this Island [**Approbation**] and they are being isolated by certain Members and it is totally wrong to be sending out this message.

Deputy E.J. Noel:

I entirely agree with the good Deputy of St. John. It is the wrong message. These people are welcomed, their families are welcomed and they have such a positive effect to Island life. I do sometimes get quite frustrated with these continual questions about a small pocket of Islanders. I just have to repeat that I agree entirely with the Deputy of St. John on this matter.

2.12.7 The Deputy of St. Mary:

I noticed in the Assistant Minister's wonderful dancing around the questions of Deputy Southern that he did use the phrase: "Seeing it in the round." So I am going to ask him whether, when we come to debate this P.113, the Assembly will have an assessment. I know they are working on it at officer level. Will we have, as Members, an assessment of the down-sides as well as the advantages of having 1(1)(k)s? Deputy Tadier mentioned inflationary effect on housing. There is also inflationary effects elsewhere in the economy, may be, and there is the squeezing-out effect, if they choose to invest with their millions and millions and millions. Whether the Assistant Minister thinks that is fair competition, I wonder. Anyway the question is, will he undertake to bring to the House with that proposition a proper assessment of both sides of the equation, seeing things in the round?

Deputy E.J. Noel:

I do not have to give that undertaking, because it is clear as the nose on the end of my face, there are no down-sides to having these residents in our Island. It is a small group of people who contribute a significant amount to our society.

2.12.8 The Deputy of St. Mary:

Could I ask a supplementary, Sir? The Assistant Minister has just outlined an extraordinary way of governing the Island, which is that you only look at one side of a question, but you do not look at the other. [**Approbation**] Could he confirm that this is now the habit of the Council of Ministers in general to only consider one side of the question? Maybe that is why we are where we are in certain areas.

Deputy E.J. Noel:

The Deputy of St. Mary's question was quite specific. I cannot see any down-side for having these wealthy residents living in our Island and participating in our community. It is a bit like asking: "Can you prove that the sun comes up in the morning?"

2.12.9 Deputy A.E. Jeune of St. Brelade:

Does the Assistant Minister agree that such residents frequently bring job opportunities to Islanders? Thank you.

Deputy E.J. Noel:

Yes, they do.

2.12.10 Deputy J.M. Maçon of St. Saviour:

I cannot for the Assistant Minister's opinions, but in relation to Deputy Tadier's question regarding inflation on house prices, what evidence does the Minister have to say either way?

Deputy E.J. Noel:

I do not need evidence to show that these wealthy individuals buying properties in excess of £2 million to £3 million ... I do not see how you can correlate that back to, say, first-time buyer homes at £400,000. The 2 are completely disconnected.

2.12.11 Deputy P.V.F. Le Claire:

Would the Minister not accept that what we need is a more in the round analysis, so that we can get on board with recognising the benefits that these people bring in terms of financial terms, but also in recognition of the other elements that they do have? In the first document that was issued - and I have got a copy - that the Policy and Resources Committee prepared after the last population report in the 1970s, it did the analysis. There were 47 additional people to Jersey in terms of each 1(1)(k) that came, in terms of job supporting them. That kind of analysis is robust, that kind of analysis has been done. Will it be updated? Will we then be able to hear and see across all sectors what the benefit is of these people? Would he also not agree that while we are talking about discrimination this is financial preference for people to have accommodation on this Island and access to housing rights on this Island over and above those who have to wait 10 years?

Deputy E.J. Noel:

Prior to the debate on the Tax Amendment 39 - proposition 113 - I do give an undertaking to provide further information to the House.

2.12.12 Deputy T.M. Pitman:

I was disappointed to learn that the Deputy of St. John did not believe in equality or the tax evasion issue, but there we go. Could I ask if the Assistant Minister discusses matters of evidence with his Minister? Because his Minister is on record as stating there is no evidence whatsoever that very wealthy people would leave if they paid a more realistic taxation level. Where is the report that was promised? Are we ever going to see it, please?

The Deputy of St. John:

Sir, on a point of order, there is no evasion by 1(1)(k)s in the tax system, it is all arranged with the Tax Department. I would ask the speaker to withdraw those comments.

Deputy T.M. Pitman:

I will be happy to if the Member withdraws "attacking", because asking questions is what we are here for. I am not sure if the Member is aware of that, but it is hardly attacking people.

The Bailiff:

Very well. But you were not accusing people of evading taxes, were you, Deputy?

Deputy T.M. Pitman:

Within what has been made legal, Sir, but if we want to have a nice debate on avoidance and evasion.

The Bailiff:

Evading is committing a crime. Are you alleging any ...?

Deputy T.M. Pitman:

Absolutely not, Sir. I am saying it just needs to be looked at. I hope you would agree.

The Bailiff:

Very well, that is clear.

Deputy E.J. Noel:

I believe there were 2 questions there. One was in relation to the Withers Report. That is currently being redacted, so it can be issued to States Members hopefully by the end of this month. The other question I have completely forgotten about by now. I am happy to discuss it with the Minister for Treasury and Resources when he returns to the Island. As I have already said, we will provide information prior to the debate on P.113.