

**WRITTEN QUESTION TO THE CHIEF MINISTER BY
DEPUTY M. TADIER OF ST. BRELADE
ANSWER TO BE TABLED ON TUESDAY 1st MARCH 2011**

Question

“Will the Minister explain what alternative avenues, if any, were explored when coming to the recent decision to cease the 'deemed distribution' element of zero-ten, including whether any consideration was given to disputing the findings of the EU High Level Working Party and why this avenue was rejected?

Will the Minister state how long he anticipates it will take to hear from the EU/UK on whether the amended zero-ten policy will be acceptable?”

Answer

As was stated in the States on 15 February 2011, there is always a need for a degree of flexibility in dealings with international bodies. In responding to the views expressed by the High Level Working Party, the Council of Ministers started from the firmly held view that the best interests of the Island are to be served by retaining the zero/ten business tax regime. Ministers wanted to give certainty to the business community as soon as possible, with all the benefits from the business growth that they believe this will foster. Ministers saw little prospect of achieving this through fighting to retain the deemed distribution regime so long as Jersey wishes to retain our voluntary participation in the Code Group process as part of our good neighbour policy towards the EU. Accordingly, the Council of Ministers reached a clear conclusion that repealing deemed distributions and having a zero/ten regime that equates with what Ecofin agreed in 2003 was Code compliant, would best serve the interests of the Island.

The Code Group is due to meet again in April and May. At the May meeting, the Code Group usually agrees the wording of its report to Ecofin for consideration at Ecofin's meeting in June. It is to be expected that the Code Group will comment in this report on Jersey's action to roll back the aspects of our tax regime that are considered to give rise to harmful effects. It is, however, not clear how ECOFIN will deal with the process of rollback and the extent to which our actions will be considered by them in the June meeting.