

2.13 Deputy M.R. Higgins of the Minister for Treasury and Resources regarding the introduction of a tax system where all citizens and businesses bear the costs and burden of the recession:

Further to his retiring Guernsey Ministerial counterpart's statement in relation to the Zero/Ten tax system that: "We pay an increasing price for the 0 per cent tax rate", does the Minister consider it is time for Jersey to introduce a fairer tax system where all citizens and businesses bear the costs and burden of the recession not just middle and low earners?

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

Firstly, I acknowledge that the combination of tax competition, imprudent spending by governments in the eurozone and in other countries and poor financial regulation in some countries within the eurozone has had a significant impact on the Island economy and on Islanders. It would be wrong to say that we are simply able to insulate Islanders from these effects, which are outside of our control, however, I would like the Deputy to look at some facts and I would encourage him to look at question 3 of the written answers that I have published this morning. The Deputy in his answer refers to middle and low earners. The Deputy will see from that written response that a quarter of Jersey households pay no income tax at all. Middle and low earners from these figures by quintile pay just a tenth of personal income tax - there is a figure that I think is extremely competitive compared to other places - but the top fifth of earners pay 70 per cent of all personal income taxes. Let us look at the facts when we talk about fairness in our tax system. So I recognise that many people, as I do, want to see companies making a greater contribution to States revenues. I have spoken on numerous occasions about the need to do this without damaging our fragile recovery and also, crucially, to make sure that we do not lose even more jobs. I am going to immediately seek to meet my new colleague in Guernsey and my Isle of Man counterpart to see whether this time we can take a joint approach to dealing with this difficult issue that we have inherited as a result of European decision-making.

2.13.1 Deputy M.R. Higgins:

I think the Minister has missed the point. What I am coming to is the whole Zero/Ten question. As a result of the Zero/Ten policy that has been introduced, no businesses other than financial services firms and also utilities are paying any tax.

[11:15]

As a result of that, the burden is being put on to individuals. My point is that we need to have a tax system that is fairer to all. That includes recovering money from firms that are owned outside of the Island and are paying no tax in the Island and the Minister has repeatedly told us he is going to bring in measures to deal with this. My question is, when are you going to do that and when are we going to have a fairer tax system?

Senator P.F.C. Ozouf:

This is a constant refrain from the Deputy and others and it is a matter that has commanded the attention of this Assembly on numerous occasions since we started needing to deal with the Zero/Ten requirements because the Isle of Man went first back in 2004. I would love to say to this Assembly that I can put in a new tax raising measure on companies but I also will not do so if I risk losing jobs. A question was asked earlier about HSBC's decision last week. We are seeing the effect of the financial crisis. I do not want to exacerbate a further drive of business outside of the Island. It is not just the Crown Dependencies, having been in Dubai last week; the Dubai International Finance Centre is back with a vengeance. Zero-tax regime. Other jurisdictions compete on tax just as the U.K. is and cutting their headline corporation tax and doing things like putting a 12.5 per cent tax on patents. He must be realistic when he says, and he promises or he gives the impression that somehow we can get more tax in companies without a devastating effect on our local economy.

2.13.2 Deputy T.M. Pitman:

I expect I will get another crisp response and that will be fine. Can the Minister at least agree that ultimately no one wins in a race to the bottom and this is why the Deputy keeps bringing up this issue, because it really does need to be looked at in the long term?

Senator P.F.C. Ozouf:

If we were at the start of the race, then I would agree with him but we inherited a situation where Zero/Ten - and I do not criticise them - was brought into the Isle of Man and effectively we then had to replicate it. I have said that we should be working together with our Crown Dependency colleagues and I will, but together we must also have an eye to the other areas of the world that do compete on tax competition. We deliver tax neutrality: that is our common platform, that is what we must continue to do and we must be alert to the competitive threats around the world. Many small jurisdictions want our financial services business and we must ensure that we keep it.

2.13.3 Deputy M.R. Higgins:

Obviously what is at the base of my questioning is quite simply I think our tax system in Jersey is unfair and because of that I would like the Minister to bring forth, a genuine - I mean genuine, rather than the sort of things we have been having - where we have a proper debate on what taxes should be in the Island with full facts made available to the entire public, so we can all see. If the Minister is correct in saying his way is the right way forward, once we have had the facts, been able to examine them and debated that, they might accept his argument. Bring forward that totally independent review.

Senator P.F.C. Ozouf:

We have had these debates and we must turn our attention, in this Assembly, to growing the economy, reducing unemployment rather than going back and re-opening the issue of our tax debate again. This is not a good, productive use of our time, I say to the Deputy, and I would ask him to reflect on the figures, which have never been published before, I think, in terms of fairness of our taxation system. I would ask him to look at the chart. Let us look at the quintiles and see the effective tax rates of different quintiles of people. Look at that and say to me whether that is not a fair taxation system in terms of higher taxes for higher earners. So we need to concentrate on growing the economy and getting people back to work. Not revisiting the debates that we have had so many times in recent years.