

2.9 Deputy G.P. Southern of The Chief Minister regarding the Guernsey authorities’ “deemed distribution scheme”:

I have just noticed the absence of Senator Ferguson. Is the Chief Minister aware whether the Guernsey authorities have submitted a “deemed distribution scheme” which is substantively different to our own as part of their submission to the E.U. (European Union) code group on Zero/Ten proposals and, if so, would he state what impact this might have on the current Jersey scheme?

Senator I.J. Gorst (The Chief Minister):

I understand that Guernsey has made a submission to the E.U. code of conduct group regarding their Zero/Ten tax regime, including their provisions for deemed distribution. The deemed distribution rules that Guernsey implemented when they introduced their Zero/Ten regime were different in some aspects to those implemented by ourselves. I understand that it is likely that Guernsey will seek to defend their deemed distribution provisions as being compliant with the E.U. code of conduct on business taxation. If the E.U. code of conduct group considers Guernsey’s approach to deemed distribution to be compliant with the code then naturally we will consider the extent to which we may wish to implement similar provisions.

2.9.1 Deputy G.P. Southern:

Is the Chief Minister quite relieved that this initiative has taken place from the Guernsey authorities because it seems increasingly likely that his Minister for Treasury and Resources will not find a way to produce increased tax revenue from zero-rated companies in the Island?

Senator I.J. Gorst:

I am not sure what it is that I have to be relieved about. As I said, it is my understanding that Guernsey will seek to defend their deemed distribution provisions, it will of course be a matter for the code group and it would be far too early for me to be relieved or not with regard to what the code group might decide.

2.9.2 Deputy G.P. Southern:

Does the Chief Minister then, in that case, not accept that in the ongoing uncertainty in the taxation field with relation to this issue is of concern to businesses on the Island?

Senator I.J. Gorst:

Absolutely not, there is, as far as I am concerned, no ongoing uncertainty with regard to Jersey’s provisions. They have been deemed to be compliant or not harmful by the code group and that is something that we should be pleased about. It is something that gives confidence to business and we can now move forward and get on with extending and building that confidence within our community.

2.9.3 Deputy G.P. Southern:

In the light of his responses, does the Chief Minister accept that the answers to question 12 given today by the Minister for Treasury and Resources indicate that it is looking decreasingly likely that a solution will be found to the problem of generating revenue from zero-rated companies in Jersey?

Senator I.J. Gorst:

The position that the Minister has taken, and I have supported, has been one whereby this was an area that we would need to address and consider in due course once our regime had been found to be not harmful by the code group. We are now in that position. The Minister has given a commitment that he will undertake to review whether it is possible or not. I have got to say that of course it has always been a very difficult area. This is a matter of personal opinion and not one of the Council of Ministers; I have always been of the view that it might be easier to carefully consider extending either the 10 or 20 per cent rates. But this is a matter which will need to be reviewed, as I say that is a personal preference. Again, I accept that it is a very difficult area. While I am on my feet perhaps I should alert you to the fact that Deputy Pitman has been trying to raise a question for a number of minutes now.

The Bailiff:

Yes, it has just been drawn to my attention. I am sorry, his light is hidden. Deputy Pitman.

2.9.4 Deputy T.M. Pitman:

I was going to say I have been flashing for so long that I have forgotten what I was going to ask but what I would like to ask the Minister, we hear a lot about working together with our sister Island and that is obviously a good thing, could he explain to what degree this new scheme from Guernsey has been discussed in conjunction with himself and would it not have been better if we had all progressed on the same footing? Could he clarify that for us?

Senator I.J. Gorst:

It is not a new scheme, it is their Zero/Ten regime which Guernsey introduced in actual fact slightly earlier than ourselves. I believe that we both have the same strategic aim, perhaps sometimes our sister Island uses slightly different tactics to ourselves but we both have the aim of defending, if possible, our Zero/Ten regime and as I have said in previous answers I am pleased the code group have now found ours to be non-harmful and I believe that now Guernsey are following that same route and hope for the same outcome.

2.9.5 Deputy M. Tadier:

Does the Chief Minister agree with the Head of Tax for KPMG Channel Islands who, on 6th January this year, was reported to say that we need to sort out how we can recoup the taxes lost by removing the deemed distribution of full attribution laws from Zero/Ten? If not, why not?

[11:00]

Senator I.J. Gorst:

I was not aware of that comment. I have to say in actual fact it is just another way of asking the same question that Deputy Southern asked some moments ago. As the Minister for Treasury and Resources has been at pains to recount, it is in actual fact a cash flow issue with regard to deemed distribution but it does mean that we need to consider whether there are other changes that perhaps can be made to Zero/Ten, as I have said, very carefully, to see if more tax can be taken via that regime.

2.9.6 Deputy M. Tadier:

If I can have a supplementary in that case because, in fact the Chief Minister is therefore saying he does not agree with the Head of Tax for KPMG Channel Islands because he does not call it a cash flow issue, he calls it a loss in taxation to which a solution needs to be found. So can the Minister confirm that first of all he agrees with the Minister for Treasury and Resources and he does not agree with the Head of Tax for KPMG Channel Islands Practices?

Senator I.J. Gorst:

As I said, I am not aware of that particular statement or article. I would need to consider it to its full extent to say whether I can agree or disagree with it. So it is not for me to make those sorts of statements across the floor of this Assembly without having the full facts in front of me.

2.9.7 Deputy G.P. Southern:

Far be it for me to pour cold water on the thoughts of the Chief Minister, whether private or otherwise, but does the Chief Minister not recognise that to suggest increasing the number of exemptions which already have 20 per cent for utilities and 10 per cent for finance to the zero rate for general company taxation goes directly in the face of the advice of the E.U. authorities which state that zero must clearly be, if that is what you are going for, the rate applicable to most companies on the Island?

Senator I.J. Gorst:

The Deputy's question serves to illustrate how difficult this area is.