

2.9 Deputy T.M. Pitman of the Minister for Treasury and Resources regarding a fair and equitable taxation system:

Given the comments of the U.K. Chancellor of the Exchequer that he was shocked to discover how the wealthiest members of society were able to structure their finances to pay virtually no tax, has the Minister made any similar discovery in respect of Jersey yet? What measures, if any, is he planning to introduce locally to ensure that a level playing field exists with regard to taxation?

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

Sir, we are splitting the workload this morning. The Assistant Minister will answer this question as well.

The Bailiff:

Seems to be a rather one way split. [Laughter]

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

This is a very fair split, Sir.

The Bailiff:

A very fair split, yes. Deputy Minister?

Deputy E.J. Noel:

The U.K. and Jersey income tax regimes are very different. The legitimate tax planning mechanisms as highlighted by the H.M.R.C. (Her Majesty's Revenue and Customs) which are used by some very wealthy individuals in the U.K., to the extent that they pay virtually no tax, are unlikely to be used by or simply would not apply to wealthy Jersey resident individuals.

[10:45]

Additionally, due to the relatively low tax rate in Jersey compared to the U.K., Jersey residents have less incentive to want to evade or avoid tax. The Chancellor announced in his recent U.K. budget that the Treasury plans to introduce general anti-avoidance rules in the future. This is something that the Comptroller of Taxes already has, a general anti-avoidance provision, which he can and does use if he considers that one of the main purposes of a transaction is to reduce the amount of Jersey tax payable by a taxpayer. This can be used against any taxpayer who seeks to avoid Jersey tax, including an individual who has substantial wealth. It is interesting to note that in Jersey the top 5 per cent of Jersey taxpayers pay over a third of the total tax revenue and the top 10 per cent contributes nearly half of all Jersey tax income.

2.9.1 Deputy T.M. Pitman:

I do not know if the Assistant Minister is aware of this, but I have documentation from the former Economic Adviser that certainly the 1(1)(k) paid as little as 5 per cent. So, it is not about how much you pay it is about what you should be paying. So, does the Assistant Minister not agree with me that his words are not really reassuring as they should be and perhaps need a little more research?

Deputy E.J. Noel:

I believe that Jersey taxpayers do pay the amount of tax that they should pay. To reiterate, the top 5 per cent of taxpayers, who pay tax, pay 34 per cent of the total individual tax revenues and the top 10 per cent of taxpayers, who pay some 47 per cent of the total individual tax revenues. There are some 69 individuals with more than £1 million worth of income, their average tax rate is 19 per cent.

2.9.2 Deputy G.P. Southern:

Can the Minister provide a breakdown of income tax paid by earnings quintile in the near future, please?

Deputy E.J. Noel:

I will endeavour to seek that information.

2.9.3 Deputy M. Tadier:

Those figures are interesting. The first question is would the Minister provide those figures in writing, but not simply as percentages, but also as proportions that they represent of the individual's actual income, to show the relative amount that they pay in income tax? Would the Assistant Minister agree that perhaps what Deputy Pitman maybe should have been asking is that it is the absence of certain taxes in Jersey, Capital Gains Tax for example and others could be named, that allow the wealthiest members in society who could possibly contribute more to structure their finances in such a way that they pay a minimum amount of tax relative to what they could be contributing in these austere times?

Deputy E.J. Noel:

To take the first part of the Deputy's question, I am more than happy to publish the information on the effective rate of tax that is paid by groups of individuals. With regard to whether or not Jersey should have other forms of taxation, this is down to this Assembly to decide at some future point when we are deciding future fiscal strategy. But, we have a current fiscal strategy that has been agreed by this Assembly and I see no reason to deviate from it.

2.9.4 Deputy M. Tadier:

Sir, may I have a supplementary? Does the Assistant Minister agree in principle that the kind of society he would like to live in would be one where those who are able to contribute the most should be given every opportunity by this States Assembly to contribute the most to our society?

Deputy E.J. Noel:

Deputy Tadier and myself come from different ends of the political spectrum. I believe in a fair tax system as does he, but our definitions are somewhat different. So, I cannot agree to what he is suggesting.

2.9.5 Deputy J.H. Young:

Is the Assistant Minister confident that in his answer he has taken into account the affects of the loss of the deemed dividend arrangements for shareholders of local companies? If he has not taken that into account, would he expect that to have an impact on the tax distribution in the future?

Deputy E.J. Noel:

Yes, I am confident that I have taken that into account, because I have. Going forward in the information that will be published in the medium-term financial plan, the information is based on the fact that we have changed our arrangement with the deemed distribution.

2.9.6 Deputy M.R. Higgins:

Is the Assistant Minister really serious when he says he does not believe that people would try to avoid tax? Because no matter what the tax is, there are always people who will try to avoid it. Does he not accept that people could be avoiding tax through the use of trusts, foundations or overseas companies in the same way that people have reportedly used the Island for that benefit? How does he know that citizens in this Island are not using those mechanisms?

Deputy E.J. Noel:

People are allowed to arrange their affairs in accordance with the law. If, however, the Comptroller believes that the sole purpose for them arranging their affairs in a particular way is to avoid tax, he

has the powers to take action and to raise an assessment on those individuals. We have got stronger powers than currently the U.K. have. That is why they are looking to introduce a general anti-avoidance provision.

2.9.7 Senator S.C. Ferguson:

Will the Assistant Minister confirm that the percentage figures are available on request from the Tax Department, because I have been quoting them for some years? But, mainly, has the Assistant Minister considered requesting an economic adviser to produce a Laffer curve for Jersey?

Deputy E.J. Noel:

Yes, in the first instance, I can confirm that the information is readily available from the tax office about the effective rate of tax. With regard to the latter part, I think this is something that the Senator should take up directly with our Economic Adviser.

2.9.8 Deputy J.A. Hilton:

There has been a lot of talk in the media recently in America and London with the election candidates jockeying to release details of their tax returns. Would the Assistant Minister support that move here in this Assembly, States tax returns being made public?

The Bailiff:

That is a good try, Deputy.

Deputy E.J. Noel:

I am quite willing to answer it, Sir.

Deputy J.A. Hilton:

The Assistant Minister did refer in a previous answer about groups of individuals ...

The Bailiff:

I suggest you ask the Minister for Treasury and Resources on questions without notice. Very well. Deputy Southern, then final question Deputy Pitman.

2.9.9 Deputy G.P. Southern:

Careful how I start this. The Minister mentioned the medium-term financial plan. Will it include a mechanism for obtaining taxation or charges from non-financial businesses?

Deputy E.J. Noel:

The information that will be included in the medium-term financial plan - currently the draft document is some 90-odd pages long - will include details about our projected tax receipt over the term of that plan, broken down in detail, so it will be transparent and there for the Deputy to analyse freely.

2.9.10 Deputy G.P. Southern:

Will the non-financial business sector be paying zero tax, again?

Deputy E.J. Noel:

We do not propose and have not changed our taxation system. Jersey companies are on the whole taxed at zero. Only a small group of financial service companies, a group of commodity extraction companies and the utility companies pay tax at a different rate.

2.9.11 Deputy T.M. Pitman:

Deputy Tadier kindly stole my follow up question. However, could I ask the Assistant Minister if he could just remind me of how many instances his department have required people to back-up that they are not dodging what they should be paying? Because, I think it is less than 100.

Deputy E.J. Noel:

I am afraid Deputy Pitman is wrong. In fact, 170 cases was examined by the taxes office under Article 134A in 2011. So the figure is for 2011, 170 instances.