

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY DEPUTY T.A. VALLOIS OF ST. SAVIOUR
ANSWER TO BE TABLED ON TUESDAY 12th JUNE 2012**

Question

Given that the personal taxation system has come under immense pressure over the last 7 years following the decrease in corporation tax, could the Minister advise whether any work has been undertaken as to the sustainability of the personal taxation system in Jersey and whether there will be a requirement to re-align direct and indirect taxes in the future?

Answer

At its simplest, a sustainable tax system is one which raises sufficient revenues to meet expenditure. Jersey has put in place concrete plans to ensure that its budgets balance, through a mixture of spending cuts and managed increases in tax.

A sustainable tax system will also feature a balance between taxes on income, indirect taxes such as GST and social security. Before the introduction of 0/10, the Jersey tax system was unusually reliant on taxes from companies compared to other economies such as the UK or some of Jersey's key competitors like the Cayman Islands. In addition, approximately one-third of adults paid no tax at all. Independent economic advice recommended that Jersey should seek to broaden its tax base in order to ensure the sustainability of the regime. GST was identified as the most efficient way of raising revenues while also achieving the policy objective of broadening the tax base.

Care has also been taken to ensure that Jersey is able to offer a competitive tax regime in order to encourage economic growth. The rates of tax paid by individuals in Jersey compare favourably to other jurisdictions.

Because of the difficult decisions made by the States on both tax and spending cuts, Jersey is in a stronger position to deliver growth and secure the Island's economic future without any further significant changes to the tax regime. Nonetheless, the tax structure will continue to be reviewed on an ongoing basis to ensure that it is appropriate for Jersey. See the response to question 6916 for more details on the type of work being done.