

3.9 Deputy R.J. Rondel of the Minister for Treasury and Resources regarding increasing tax rates for the largest U.K. retailers operating in the Island:

Has any research been undertaken into increasing tax rates for the largest U.K. retailers operating in the Island, as was recently proposed in the Isle of Man's budget statement and, if so, what were the conclusions?

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

My friendly suggestion to the Deputy is that he should declare it, not advertise it. [Laughter] The Deputy will recall that I published a report in October 2012, on the matter of taxing a non-locally-owned non financial-services company. The report included an assessment of extending the scope of the 10% band, but found that doing so could result in Jersey's Zero/Ten regime falling foul of the E.U. (European Union) Code of Conduct, for a number of reasons. Firstly, Jersey has a greater proportion of companies paying 10% and 20% than the Isle of Man. To increase the scope could compromise Jersey's zero general rate of corporate tax for companies. As Members would expect, I have discussed the Isle of Man proposal with my counterpart, and we will keep under review the progress he is going to make with succeeding and getting approval of that with the Code Group, but I should say that, even if the Isle of Man is successful, a similar change for Jersey may not be code-compliant, as the Isle of Man is in a different position to Jersey because it has a greater scope for increasing its 10% band because of the limited scope of amount of companies, particularly financial services companies, that exist in our 10% band.

3.9.1 Deputy R.J. Rondel:

Would the Minister for Treasury and Resources accept that the Isle of Man has recently introduced this and that they are looking to raise approximately £3.5 million a year in additional tax from those retailers?

Senator P.F.C. Ozouf:

I can say - and I am sure that he will not mind me saying - I have discussed this, as the Deputy would expect me to, I have had extensive and helpful discussions, particularly having regard to the Deputy of Grouville's proposals, on this whole issue of 10% and zero rate, *et cetera*, and it is a very difficult issue. The Deputy is quite right to say that the Manx Minister for Treasury is aiming to raise about £3.5 million. I would say in the context of our corporate rate of tax, we raise approximately £70 million of corporate tax, which is a great deal greater than that of the Isle of Man, and so our position is different. We have always had a wider definition of what is within 10% of financial services than both Guernsey and the Isle of Man, and that puts us in the difficult position that it limits our ability to raise that scope even wider. I hope the Deputy understands this very important issue.

3.9.2 Deputy M.R. Higgins:

Addressing this point, we are not talking about financial services, we are not talking about extending the 10% to any other financial service, we are looking at large retailers, or even retailing, and there is nothing to stop the Island if it so wished, to tax retailers, large or small, from paying 10%, as long as we do not discriminate against any of them, because it would be compliant with the E.U. Code. So the Minister is being, I think ...

The Bailiff:

Careful, Deputy; you fall into the trap sometimes.

Deputy M.R. Higgins:

I do, but I just think that it is the usual spin, Sir, and he is trying to move away from what is the truth of the issue. He could do it if he wanted to; the truth of the matter is he does not want to.

Senator P.F.C. Ozouf:

That is absolute nonsense, and if the Deputy is going to challenge me in this Assembly he needs to raise his game in terms of what he is understanding. He is absolutely wrong when he says that it is simply possible to extend 10% to retailing, which I would welcome, and like to do unilaterally by myself or the Council of Ministers; it is simply not right. He does not inform the Assembly of the requirements to get the Code Group to accept our general system of tax, and he is wrong to simply say that it is an extension of just financial services which is possible to extend to retail. It is not just financial services, it is all companies, and it is the argument of how many companies in Jersey pay the zero versus the 10 that is important. If we compromise the general rate of zero of corporate tax, we will undo the authorisation and the support we have within the Code Group. I do not want to throw the baby out with the bath water of effectively doing away with £70 million of corporate tax in financial services, for effectively the much smaller revenue, which I would like to get but cannot get from retailing.

3.9.3 Deputy M.R. Higgins:

A supplementary, Sir? What the Minister is saying to us is that if he increases the tax band in any way to other areas, it means that financial services will be more isolated, and then it will look as if we are discriminating against other types of business, but we are giving preferential treatment to the finance industry. What I would ask the Minister for Treasury and Resources to do is to publish his case for not extending it, setting out the arguments, and let us all see the arguments.

Senator P.F.C. Ozouf:

Again, perhaps I could refer the Deputy to the detailed report that the Treasury published, and maybe he did not attend the briefings on the issue, last September, 2012, explaining exactly what the issues were with the Zero/Ten, responding properly and fully to the Deputy of Grouville's understandable and absolutely correct concerns about Zero/Ten. He really must raise his understanding. I say to him: read the report from 2012 and stop throwing bricks across the Assembly at me on this issue, this is not an easy issue to deal with. He also needs to look at the revenue that Jersey raises very successfully from corporate tax, which is much greater than our other Crown Dependency colleagues and, on balance, whether we have a system which serves this Island better. I make no observation of matters for the Isle of Man Parliament; they are a matter for them, but we are doing what is in the best overall interests of Jersey, having to deal with this tightrope issue of needing to be code compliant. It is not easy.

3.9.4 Deputy R.J. Rondel:

With the talk of bricks, it sounds as though Deputy Higgins has raided Senator Ferguson's handbag [**Laughter**] but I would just like to thank the Minister for his answer and ask that he would continue to monitor closely the Isle of Man's situation with what they are doing.

Senator P.F.C. Ozouf:

Willingly. I think I can say that both the Treasuries of Guernsey and Jersey will keep the Isle of Man progression of the retail tax under very close review, we watch it with interest and certainly, if we can gather more tax without compromising the general rate of zero then, of course, we will do so. The property tax review which is underway is also designed to deal again with the Deputy of Grouville's issues, and the Deputy's issues, about whether or not we can get more tax from businesses without compromising the Zero/Ten regime, which is so fundamental to our financial services industry.