

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES  
BY DEPUTY G.P. SOUTHERN OF ST. HELIER  
ANSWER TO BE TABLED ON TUESDAY 15th JANUARY 2013**

**Question**

Can the Minister reconcile the figures given in answers to questions in March 2011 and November 2012 which stated that company tax returns of £54.6 million in income tax had been received for the trading year 2009 from all trades other than financial intermediation (15th March 2011) and £43 million from financial services for 2009 (6th November 2012) when a total figure of £83 million for company tax for 2009 was given on 6th November 2012?

Is the Minister able to provide the equivalent figures for the trading year 2010 along with estimates for 2011?

Given his consistent denial that the figures produced by the Statistics Unit for the overall profits for the financial services sector (£809 million for 2009, which gives an effective tax rate of 5%) cannot be used as a guide to the tax base used by the Income Tax department to assess actual tax due from the financial sector, will he inform members exactly how the differences in methodology can be used to produce a different figure for an effective tax rate?

**Answer**

The Deputy is not comparing like with like.

The £54.6m does not relate as the Deputy states to company tax but in fact relates to tax from all trading entities i.e. including non corporates (sole traders and partnerships) which derived profits from all trades other than financial intermediation for the year of assessment 2009.

The figure of £43m is the total tax payable in respect of all corporate entities that fall under the strict definition of a financial services company as defined within the Income Tax Law.

Therefore the sum of the two figures will not equate to the total of £83m for company tax for the year of assessment 2009.

As the Deputy will also appreciate the exact figures can change slightly as appeals are continually being settled and assessments being amended and therefore there can be a degree of variation depending on what date the statistics are provided.

I can confirm as at 9 January 2013 the figures for the 2009 year of assessment are as follows;

| <b>Year of Assessment</b>           | <b>2009</b>   |
|-------------------------------------|---------------|
| Financial Service Companies*        | £44.0m        |
| Non Financial Service Companies     | £22.7m        |
| IBC Financial Service Companies     | £14.3m        |
| IBC Non Financial Service Companies | £ 1.0m        |
| <b>Total tax payable/paid</b>       | <b>£82.0m</b> |

(\*as defined in Article 3 of the Income Tax Law)

The figures for 2010 and 2011 as at 9 January 2013 are as follows;

| <b>Year of Assessment</b>           | <b>2010</b>   |
|-------------------------------------|---------------|
| Financial Service Companies         | £39.3m        |
| Non Financial Service Companies     | £25.7m        |
| IBC Financial Service Companies     | £10.9m        |
| IBC Non Financial Service Companies | £ 0.8m        |
| <b>Total tax payable/paid</b>       | <b>£76.7m</b> |

| <b>Year of Assessment</b>           | <b>2011</b>   |
|-------------------------------------|---------------|
| Financial Service Companies         | £48.0m        |
| Non Financial Service Companies     | £22.4m        |
| IBC Financial Service Companies     | £ 8.6m        |
| IBC Non Financial Service Companies | £ 0.2m        |
| <b>Total tax payable/paid</b>       | <b>£79.2m</b> |

As I have repeated previously the data provided by the Statistics Unit is not the appropriate information to give an accurate and effective tax rate for financial services companies. The main reasons being:-

- The Statistics Unit figures include the total profits for businesses in the finance sector (including legal and accountancy). This will differ greatly from total profits of the companies that fall within the narrow definition of financial services companies for income tax purposes meaning that the profits subject to tax will be lower.
- The Statistics Unit figures are based on an annual survey of estimated calendar year profits. Businesses are assessed to tax on their profits arising in their financial period ending in the year of assessment so these periods may not be co-terminus.
- The Statistics Unit figures will also include International Business Company profits that fall within their definition of finance sector businesses. The profits of these businesses will have been charged to tax at varying rates.
- There will be adjustments made to the profits disclosed for the purpose of the Statistics Unit survey and the profits on which tax is charged by the Taxes Office. As an example, loss relief brought forward may be relieved or group relief may be applied to reduce the taxable amount.

In conclusion – and for the reasons explained above - it is misleading to look at the whole of the financial services profitability figure and try to apply a 10% rate to arrive at a tax charge.