

3.9 Deputy M.R. Higgins of the Minister for Treasury and Resources regarding the amount of tax paid by non-finance and utility companies:

Will the Minister advise Members of the amount of tax paid by non-finance and utility companies in the last available figures and explain what progress, if any, he has made in increasing revenue from the corporate sector and in reducing the tax burden on personal income taxpayers?

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

Consistent with the information provided today in response to the written question of the Connétable of St. John, the total income tax payable by non-finance companies and utilities for the 2012 financial year is approximately £20 million and for the 2013 financial years I am prepared to say is approximately £29 million. Members will be getting the excellent States accounts on Thursday and they will get the breakdown of it as some prior information. For the benefit of the Assembly I can say that the primary reason for the large difference between the 2 years is the agreement of a £10.2 million liability - I do not know the identity of that - in respect of a U.K.-sourced property income from a previous year of assessment. On the issue of raising revenue from corporate taxpayers, first the figures just mentioned understate the overall contribution made by companies because they, of course, do not include employer social security contributions, rates, stamp duties and other similar payments. On the issue of what I have done since the matter has been raised previously, the Deputy will recall I produced a substantial report in response to the Deputy of Grouville's request last summer. I have got nothing further to add in relation to that matter. That matter I know has been already explained. However, what I can say is that a consultation paper on property tax will be issued alongside this year's budget, which I have already announced. Part of it will specifically look at how property taxes could be used to raise revenues of companies trading in the Island. On personal tax income, a number of specific measures have already been taken to reduce the burden. In the 2014 Budget the marginal rate of tax was cut by 1 per cent and the exemption thresholds were increased by 1.5 per cent. These 2 measures benefited 84 per cent of personal income taxpayers at a cost to the Treasury of £10.3 million. In addition a higher child allowance was introduced to help parents against the cost of sending their children to higher education, all of which I know have been well received.

3.9.1 Deputy M.R. Higgins:

Supplementary? Can the Minister tell us what the percentage of the overall tax take comes from the corporate sector and the percentage that comes from the personal sector?

Senator P.F.C. Ozouf:

Those issues are already in the public domain, I am not going to do the maths, my mental arithmetic is not fast enough, but he does know the issues, he has the answer for the Connétable of St. John. From memory, the total income tax is approximately £350 million out of our total revenue of about £700 million. I will give him the percentages if he really wants but all that information is in the public domain and will be, of course, in the new accounts published later next week, which are a model of clarity.

3.9.2 Deputy G.P. Southern:

In his Budget for 2012 he clearly said that specific areas of focus in the next 2 to 3 years will include continuing to review ways in which additional revenues can be obtained from non-financial companies. Will his property tax therefore effectively bring those into revenue generating for the Jersey taxpayer?

Senator P.F.C. Ozouf:

I know that it is easy for the Deputy and other Members to chastise the Minister for Treasury and Resources in relation to this issue on corporate tax. We have been here for a number of years and he quotes the ... I think I am on my feet. He quotes the 2012 Budget. Since then I have done what this Assembly has asked and provided substantial information about the difficulties of corporate tax. At the end of the day, companies do not pay tax, people do. That is the reality, which is an inconvenient truth for a number of Members. The property tax issue is being looked at but of course raising the cost of doing business in Jersey, which any increases in property tax may well do, needs to be judged against the competitiveness of Jersey in the longer term.

3.9.3 Deputy M. Tadier:

Does that just not pass on the problem, because surely it is not properties that pay tax, it is people. Has the Minister thought about that issue?

Senator P.F.C. Ozouf:

Yes, people always pay tax; that is the reality. He can come in and talk to any economic adviser and it is not companies that pay tax, people do. Consumers, shareholders or staff. That is an inconvenient thing for politicians. Politicians love to effectively say that it is the companies that should be paying tax and all the rest of it, and we have had lots of debates about this. I do not want to rehearse what we have already explained and done on numerous occasions about the reality we find ourselves in on Zero/Ten, the consequences and the thoughtful support, and no doubt the intelligent support, that I have had from the majority of States Members on the issue of Jersey competitiveness and corporate tax. We have been here many times before and I really have nothing further to add from those statements I made last summer.

3.9.4 Deputy M. Tadier:

A supplementary? The underlying issue of course is that while the Minister lists what he says are measures to try and relieve and alleviate tax for middle Jersey, he forgets, and singly forgets, to mention other steps which have been taken to put the burden back on to middle Jersey, such as the social security long-term care. That specifically targets middle Jersey and lets the most wealthy get away with paying much less than middle and lower earners. Does the Minister accept that coming up to an election year your average person in the street knows that under his tenure and that of his predecessor they are paying more tax while the wealthy in the Island and the companies who actually make the money are paying less and less tax. That is the issue that he needs to grapple with.

Senator P.F.C. Ozouf:

I was in the United Kingdom on my way back from the Middle East and I read with interest a number of the party manifestos. I offer no comment but this issue ... and this is a new theme clearly, that we are going to have claims that Jersey people are worse off. It sounds very much like the Ed Miliband 'cost of living crisis.' We are going to have the cost of a living tax crisis for people in Jersey. Our public finances in Jersey are strong, as will be seen from the States accounts. This Assembly has dealt with, responsibly, problems that are real issues and not put them in for another day. Have we increased G.S.T. (Goods and Services Tax)? Yes. Have we also put very significant investment in income support, transfer payments for lower workers? Yes. Have we increased income support, '20 means 20' for higher earners? Yes. It would be wrong for him to say, if I may say, that the long-term care charge is hurting middle Jersey. Middle Jersey is the elderly population who get a benefit on day one for their cost of care, 0.5 per cent going up to 1 per cent, Treasury is paying the first year, that would be a benefit for middle Jersey and he should be putting it in his manifesto saying: "Well done,

States Assembly, we are helping the people that have worked to get this Island to its position today and they are not paying for it to any great extent.”

3.9.5 Deputy J.H. Young:

I wonder if the Minister for Treasury and Resources could help me. He referred to the written question, answer number 1: would I be right that as far as the non-financial sector company income tax is concerned the only shareholders who would not be paying tax would be non-locally resident shareholders? Could he confirm it is only local shareholders of those companies that would be paying tax and non-resident shareholders would not?

[11:00]

Finally, could he also ...

The Bailiff:

Let us leave it there, there are too many questions sometimes.

Senator P.F.C. Ozouf:

He knows the rule and that is how they are. He knows what the rules of corporate tax are and that is how they are. These are corporate tax receipts and so I cannot add anything else apart from the facts as he knows the law.

3.9.6 Deputy G.P. Southern:

I will ask the question again that the Minister failed to answer. Does the commitment to this new property tax fulfil his promise to the Deputy of Grouville to find ways of generating revenue from non-financial, non-locally owned companies? Has he succeeded in doing that with his new property tax or not? Or is he still, for the third year, failing again?

Senator P.F.C. Ozouf:

I absolutely reject this issue that it is somehow a failure that I have not dealt with the issue of corporate tax. I answered the Deputy of Grouville's question. We had a consultation, we have published the answers and that issue has been drawn to a closure. Frankly, the repeated attempts by the Deputy and others to say that somehow the Minister for Treasury and Resources has failed personally in dealing ... which is a global competitive issue, a European code of conduct issue and the reality of competition is frankly something slightly more than I can bear. But I will answer the issue of property tax. I am, of course, looking at opportunities to raise revenue in the future and to deal with inappropriate avoidance issues, where interest deductibility and all these issue of which we have taken lots of measures against are appropriate to dealing with aggressive avoidance and other issues, and making the economy work. Yes, we are looking at property taxes but I want to send a clear message out that I am not about to start putting in policies which raise the cost of business in Jersey, which means that Jersey becomes uncompetitive. But I will say property taxes are low in Jersey for corporate property ownership and I am having a very close look at it with my department. More about that in the Budget later on.

3.9.7 Deputy M.R. Higgins:

I think what the Minister is doing is hiding from the fact that companies that are owned in Jersey by foreign entities are paying no tax whatsoever. When you say people pay taxes, the people who own those companies are not paying any taxes in Jersey whatsoever so you are misleading ...

The Bailiff:

Sorry, first of all you do not say “you” and secondly you do not accuse people of misleading.

Deputy M.R. Higgins:

Yes, the Minister is ... I cannot even say inadvertently, I will just withdraw the word “misleading”. I will let people take the inference from it. The truth of the matter is that they are not paying any taxes whatsoever. Will the Minister accept that the policies that he has pursued has led to the ordinary personal taxpayer in Jersey paying substantially more and suffering as a consequence of the policies that he has brought in?

Senator P.F.C. Ozouf:

It is not about me. It is about my predecessors and this Assembly making well-judged, informed decisions and I do not set tax policy; I invite the States to approve policies. My predecessors, we have been involved in ‘Zero/Ten’ and other matters on a number of occasions and it is this Assembly which has supported the initiatives of the past. I am proud of the record of this Assembly and myself in bringing them forward, of being a jurisdiction at the end of a financial crisis that has no debt in terms of revenue expenditure, no problems of the past. All of the exciting economic growth that we can deliver in this Island can be enjoyed by everybody in Jersey in terms of improving public services like Health and others rather than as other countries have done and the avoidance strategy of other countries, which basically puts the problem off until later. A mountain of debt means that their economic growth is going to have to pay their interest and their debt and we are not in that position. I think that is substantially a good legacy for this Assembly to leave the next administration and I am jolly proud it.