

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY DEPUTY G.P. SOUTHERN OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 20th JANUARY 2015**

Question

In the light of the projected £80m+ shortfall in tax revenues in the 2015 budget, what quantitative evidence, if any, does the Minister have to indicate that the policy of encouraging inward investment, which has produced 128 new business start-ups in the period 2008 to 2011 (see P.55/2012 for example), has generated increased tax revenues over the period to date, and, if none, does the Minister consider that this policy has failed?

Is it the case that the shortfall represents a “structural deficit (which) arises simply because the tax base will have shrunk” as stated by the Minister’s predecessor in November 2009 (Question (4886) refers) and what measures, if any, does the Minister have under consideration to generate additional revenues in 2015 and onward into 2016 and 2017?

Answer

The policy of encouraging inward investment has not failed. Inward investment businesses assisted by Economic Development between 2008 and 2011 have a total of 896 individuals working for them of which 83% were entitled posts. The policy continued to be successful in 2014 with Locate Jersey dealing with a further 158 business enquiries, creating 361 potential job opportunities in areas as diverse as construction, retail and fintech. Where these activities result in new and additional employment opportunities this will help spur economic growth and generate additional tax revenues.

The shortfall referred to by the Deputy is misleading as it is a cumulative total over several years, not an annual shortfall. It is not clear the extent to which the annual shortfall in tax revenues identified in Budget 2015 is structural and the FPP will be reporting at the end this month to give us further advice on assessing the structural position of States finances. In the meantime we continue to follow FPP advice that *“If there is a structural deficit in the public finances, the States should plan to address it once the economy has recovered. Structural changes in taxation, or expenditure programmes are easier to introduce once the economic recovery is fully established.”*

The foundations for returning the economy to growth were set in the Economic Growth and Diversification Strategy approved by the States July 2012 and the 2014/15 Enterprise Strategy. The Council of Ministers has economic growth as one of the key priorities for the next Strategic Plan (2015-2018) as it continues to be a significant driver of job creation and revenue growth. The Plan will be debated by the States but it is clear that we need a renewed focus on all aspects of economic growth and productivity – enterprise, innovation, inward investment, infrastructure investment, skills and competition.