

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY DEPUTY M.R. HIGGINS OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 13TH SEPTEMBER 2016**

Question

Will the Minister, by way of a table, show for each year between 2008 and 2015 (or the last year for which full figures are available):

- (a) The total amount of funds under management in Jersey and the tax take from the fund management firms concerned, explaining why there have been changes during the period in question in the levels of funds and the tax taken;
- (b) The total amount of deposits held by Jersey banks and the tax take from those banks, explaining why there have been changes during the period in question in the level of deposits and the tax taken.

Answer

Information on funds under management and bank deposits has been extracted from the Jersey in Figures web pages:

<http://www.gov.je/Government/JerseyInFigures/BusinessEconomy/Pages/FinancialServices.aspx>.

(a) funds under management

| Year | funds under management in Jersey (£ billion) |
|-------------|---|
| 2008 | 241.2 |
| 2009 | 166.2 |
| 2010 | 184.7 |
| 2011 | 189.4 |
| 2012 | 192.8 |
| 2013 | 192.2 |
| 2014 | 228.9 |
| 2015 | 225.8 |

The global financial crisis of 2007 – 2009 played a significant role in the fall in funds under management during the period in question. The financial crisis caused the value of assets to plummet, which directly impacted the amount of funds under management in Jersey. Following the financial crises there was a period of modest growth. However, 2014 and 2015 figures show that funds under management in Jersey have grown back up to almost pre-financial crises levels. We understand that this being driven by alternative asset classes and, in particular, by strong performances in the private equity and real estate asset classes.

In terms of the tax receipts, it should be noted that:

1. Any company that is only authorised by the Jersey Financial Services Commission to act as a “fund manager” is outside the scope of the 10% tax band under the Income Tax (Jersey) Law 1961 and hence will pay tax at 0% on its profits.

2. There are some fund managers in Jersey that are authorised to carry on other financial services activities by the Jersey Financial Services Commission (e.g. as a fund administrator) that may bring them within the scope of the 10% tax band.
3. If a company is inside the scope of the 10% tax band, it pays tax at 10% on all of its profits – so in the example above, the company would pay tax at 10% on both the profits made from administration activities and also the profits made from fund manager activities.
4. In the case of a company as described in 2 and 3 above it is not possible to determine from Taxes Office data the profits made from administration activities separately from the profits made from fund manager activities. No figure can therefore be provided in respect of the tax take solely in respect of the fund manager activities.

The Minister is informed that companies that carry on fund services business in or from within Jersey, such as fund administrators, have been experiencing reduced profits over the period as a result of margin squeezes and a trend towards (lower) fixed fees. It is for these reasons, in the Minister's view, that tax receipts have declined over the period.

(b) deposits held by Jersey banks

| Year | deposits held by banks located in Jersey (£ billion) |
|------|---|
| 2008 | 206.1 |
| 2009 | 165.2 |
| 2010 | 161.6 |
| 2011 | 158.1 |
| 2012 | 152.1 |
| 2013 | 139.9 |
| 2014 | 132.4 |
| 2015 | 126.5 |

The Jersey deposit figures have been impacted by a number of factors:

- There has been significant corporate restructuring by banks globally since the financial crisis. This has resulted in some bank/branch closures (which has had some impact on Jersey) as well as capital held in Jersey subsidiaries being repatriated to the parent bank. In addition some banks have restructured from subsidiaries to branches, which do not require the same levels of capital;
- The lowest interest rates in decades over an extended period have seen investors seeking better returns which has resulted in less cash being held on bank deposit. Investors are looking to generate better returns through investment in 'real' assets (such as property) or other opportunities e.g. shares or funds; and
- Exchange rate movements do have some impact on the overall deposit levels as they are expressed in Sterling although Jersey banks collectively do have a significant US\$ book. This volatility may result in some positive movement in the next set of figures which will not necessarily demonstrate any increase in business but does demonstrate the international nature of our business. Internationalising the industry has been a key strategic priority for some years.

It is important to note that the overall deposit levels are just one indicator of business activity but not a key one, especially in the current interest rate environment. Indeed we expect to see further falls in the overall number in the coming months as a result of the loss of two bank licenses already publicised. However from a government perspective we are pleased to see employment numbers in the industry rising and the continued recruitment of local school leavers and returning graduates. The expansion of the financial services industry into new markets and across different subsectors, in line with the strategy set out our Financial services Policy Framework, continues to contribute to employment numbers and taxation receipts.

The Jersey Financial Services Commission and the Taxes Office were already working together in order to provide accurate information on the tax receipts of the deposit taker banks for the years in question. In the short time available to provide this answer it has not been possible to extract the data required. As and when the information becomes available, and to the extent it is available, this will be provided directly to Deputy Higgins.