

2016.11.01

3.6 Deputy C.F. Labey of Grouville of the Chief Minister regarding the conditions applied to the residential and employment status of High Net Worth individuals: [9665]

Are the conditions applied to the residential and employment status of high net worth individuals restricted to their place of residence and are they permitted to purchase buy-to-let properties and, if so, are they required to live in Jersey?

Senator I.J. Gorst (The Chief Minister):

Sir, could I ask the Assistant Minister to answer this, please?

Senator P.F. Routier (Assistant Chief Minister - rapporteur):

High net worth individuals moving to Jersey and granted 2(1)(e) "entitled" status are expected to make an annual minimum income tax contribution of £125,000, which relies on them remaining resident. They are granted permission to purchase their own home but they are not permitted to buy any other properties to rent out and we have and would refuse such requests. However, just as anyone else, they are able to buy share transfer flats. They are restricted in what they can do and where they can live and they are required to bring substantial benefit to our Island and I believe we should welcome this.

3.6.1 The Deputy of Grouville:

Does the Assistant Chief Minister have any data to indicate the extent that the housing, the share transfer housing, is being bought by the individuals with 2(1)(e) status? Indeed, does he have any data indicating how many non-residents of Jersey own these share transfer flats or properties?

Senator P.F. Routier:

To hand I certainly do not have that sort of information. There was some work done on that a couple of years ago but I believe that there is a supply of share transfer properties within our Island and that was recognised as being a useful thing to produce an increased market for rental property. Whoever is going to be purchasing those properties it was felt to be a benefit to our local population so that they could have access to rental properties. But with regard to numbers, I am afraid I do not have that information here.

3.6.2 Senator S.C. Ferguson:

For the benefit of the Deputy of Grouville, it is quite easy to work out how many share transfer properties are in private names. However, my question is, what restrictions are there on 2(1)(e) residents buying additional properties, either for redevelopment or restoration or such purposes and reselling?

Senator P.F. Routier:

There have been a very limited number of applications from 2(1)(e)s to redevelop properties. This has been given in exceptional circumstances where it is recognised that they are going to resell the property later and the same with any property development company, they would be required to sell that property on and also, obviously, they would be paying tax on any profit they would make on that.

3.6.3 Senator S.C. Ferguson:

Are there any restrictions on the fact that the redevelopments tend to be for large properties that are then sold on to more 2(1)(e)s?

Senator P.F. Routier:

There would be no restrictions, as far as the Control of Housing and Work Law would have effect on. Certainly the Planning Department's applications would look at that sort of issue but certainly there is not any restriction with regard to Control of Housing and Work Law.

3.6.4 Deputy R. Labey of St. Helier:

I wonder if I might ask the Assistant Chief Minister the same question as I asked the Minister for Housing but was not able to get particularly satisfactory answers with respect to it, but is the Government aware of a resurgent buy-to-let market. Is the Government at all concerned that such a resurgence in buy-to-let with wealthy companies gobbling up properties that this would deter or harm the opportunities for local families to get on the housing ladder? In short, is the Government on the case here?

Senator P.F. Routier:

If the Deputy has some information he would like to share with us to give some evidence that that is happening, I would really welcome that, though certainly has nothing been brought to my attention with regard to people buying buy-to-let places to the detriment of the local population at the present time. But certainly if he has any information saying the opposite of that I would be very happy to listen to it.

3.6.5 Deputy M. Tadier:

Would the Assistant Minister confirm whether it is the general policy of the Council of Ministers to encourage home ownership, i.e. were owner-occupied homes to increase?

Senator P.F. Routier:

Very plainly, yes.

3.6.6 Deputy M. Tadier:

Does the Minister not accept that it necessarily follows that every buy-to-let property in the Island is a home that cannot be owned by a family, an owner-occupier, is that not the case?

Senator P.F. Routier:

No, that is not the case at all. The buy-to-let market is a very useful mechanism to ensure there is a supply of properties for people who want to rent, as opposed to buy. There is a choice to be made by people and some residents who have the ability to occupy a property in the Island can have the choice of either renting or buying.

3.6.7 Deputy M.R. Higgins:

Does the Assistant Chief Minister not understand that if wealthy people or people from outside the Island are buying buy-to-let properties, one, they are pushing up prices and, secondly, they are reducing the supply of housing to ordinary people because they are pricing people out of the market because the return that you see in the newspapers is 5 per cent or more ...

The Deputy Bailiff:

Deputy, could you ask the question, please?

Deputy M.R. Higgins:

The question was: does he not accept that buy-to-let properties are pushing up prices and are denying our local residents decent housing at a decent price?

Senator P.F. Routier:

The economics of the housing market is a very variable situation. It depends on the supply that is within our market that will affect the prices. We do know that there is a demand for all sorts of housing, whether it be rental or buying. The extent of this question has moved away from talking about 2(1)(e)s accessing the housing market but that is the way the question was asked. I do not have an answer to that question, I am sorry.

3.6.8 Deputy G.P. Southern:

I question the Minister suggesting that somebody would want to spend twice the rate of a mortgage renting a home, makes sense to me. But my question is: can the Minister assure us that whatever the sources of profits from property, whether it is rental profit or redevelopment profit, those profits are taxed 20 per cent, whether it is a company or an individual, in the Island?

Senator P.F. Routier:

Any property development is at 20 per cent, certainly.

3.6.9 Deputy G.P. Southern:

Rental properties, so a company rents a buy-to-let and you have a net profit in the company, that pays at ...

Senator P.F. Routier:

Yes, the same at 20 per cent.

3.6.10 Deputy M. Tadier:

I am surprised the Assistant Minister cannot see the axiomatically true statement, that if 10 properties are owned by one landlord those 10 properties cannot be owned by 10 property owners and that is simply a statement of fact. But does the Minister accept that whether it is 1(1)(k)s or 2(1)(e)s now or private developers or investors in other ways, that the problem is that we have no information about ownership in Jersey because there is not a property register and we do not know about the uptake in different areas and different qualifications? Would the Minister accept that is the case and perhaps that we should be getting more information about which properties are being let out, to whom and, more importantly, what quality those properties find themselves in at the point of being let?

Senator P.F. Routier:

The Deputy is sort of painting quite a black picture about the information which is available. There is a good amount of information available, certainly with regard to the ... we have the Housing Needs Survey which is carried out on a regular basis. The Census information does give us good information about who owns the residential and how properties are used. There is information that the Statistics Units can help us with. Certainly, the access to housing is something which is of real concern to us. The genesis for this question was regarding the 2(1)(e)'s access to housing. I really want to emphasise that we welcome people coming to our Island and investing in our Island and we need to ensure that high net worth people are recognised as being of benefit to our community.

3.6.11 Deputy M. Tadier:

But does the Minister accept that there is also a law of unintended consequences and where something might be done for the best of intentions there may be unwilling investment? The Deputy of Grouville quite rightly asked questions about what those unintended consequences may be, especially when they are likely to have a knock-on effect on the local economy for local would-be buyers. Is that not a reasonable question to ask?

Senator P.F. Routier:

I think Members will be aware that the Minister for Treasury and Resources has committed to just completing a review of the value of high net worth people coming to our Island and that is due to be published very soon, within the next month or so. I would ask Members to look at that information very carefully when that is published and I am sure all Members will want to take a view as to what they see within that document.

3.6.12 The Deputy of Grouville:

Firstly, I am not criticising in any way the high net worth individuals, so can we just park that? What I am trying to establish here is our local housing needs and what is happening in the marketplace. In the absence of any data that the Assistant Chief Minister says that there is none at the moment, could he undertake to look into this situation because he did say that non-residents being able to purchase share transfer properties are of benefit to the local population? I would like to know how as well and sort of citing the Housing Needs Survey, that gives us the problem; it does not give us the cause. Could he undertake to look into this situation, so we know exactly what is going on in the market and what is pushing the prices up?

Senator P.F. Routier:

Certainly, along with the Minister for Housing and others, the Housing Needs Survey does give a lot of information about what is needed within our community. The issue with regard to whether buy-to-let is pushing the price up for people who are wanting to buy, the view that was taken many years ago when this was promoted as share transfer was that it was a way of increasing the supply of rental properties within our community. It was certainly something that was promoted as being of benefit generally to us; whether that is something we need to take a different view on now that may possibly be the case. But certainly I undertake that, along with the Minister for Housing and other Ministers and the Minister for Environment who has decision making about building of properties, we will continue to keep that as a priority.