

3.5. Deputy D. Johnson of St. Mary of the Minister for Treasury and Resources regarding the liability of non-resident property owners to pay Jersey tax: [9558]

Will the Minister consider introducing measures whereby non-residents who own property in the Island which is not let will be liable to pay Jersey tax on the notional rent that would be achieved if the property were let on a commercial basis?

[10:15]

Senator A.J.H. Maclean (The Minister for Treasury and Resources):

I would not rule out such a measure in the future if it were proven to be the right thing to do. However, this is not a straightforward matter. There are many reasons why property can be unoccupied for periods of time and I am not personally convinced that taxation is the right way to incentivise the use of empty property. Furthermore, taxation of notional income is not generally a common feature of modern tax systems. I should add that non-resident landlords do already pay tax on empty properties in the form of rates.

3.5.1 The Deputy of St. Mary:

In the context of the 2011 Census identifying over 3,000 properties that have been vacant on Census day, and of which 23 per cent were attributed to holiday or second homes, does the Minister not accept the basic principle that an owner of a property in any jurisdiction should make some contribution to the finances of that jurisdiction?

Senator A.J.H. Maclean:

Yes, I do. That is why, as I have pointed out, non-resident landlords already make a contribution through the rates system. I have said if indeed in the future there is a proven case that something further could be done then of course I am more than happy to look at it. But there are other pressing matters to consider perhaps more so than that. That is probably all I can say at this moment on the subject.

3.5.2 Deputy M. Tadier:

Does the Minister accept that a mechanism within the States already exists for deeming rent at Social Security when it comes to the long-term care scheme whereby a property that is left vacant for a period of time will be expected to be rented out, and even if it is not rented out that money is already taken into account as if it were in the recipient's bank account? So if we can do this for our elderly who are perhaps in borderline poverty is there not a mechanism whereby the Treasury could find a similar mechanism to do it for either non-resident or residents? In fact I do not see why we should discriminate for properties that are not being utilised.

Senator A.J.H. Maclean:

This is not a straightforward matter. I do not disagree with the point that the Deputy made but nevertheless we are talking specifically with regard to this question about non-resident landlords owning properties in the Island which remain empty for periods of time. Of course there are a number of other properties that remain empty in the Island which are not owned by non-residents but are owned by residents. This is not a straightforward matter. I have already pointed out it is not a case that no tax is being paid, rates are already being paid on the empty properties, that is a choice of the individual landlord, wherever they reside.

3.5.3 Deputy C.F. Labey of Grouville:

Will the Minister for Treasury and Resources undertake to work with the Minister for Housing and work with her on her review that she is currently conducting, given that we have a housing shortage in the Island and at the last Census measured 3,000 empty properties?

Senator A.J.H. Maclean:

I am delighted to say that the Minister for Housing and I already work very closely together. I am familiar with the good work that she is undertaking in her department, the housing strategy that she has been working on. I would just add to the Deputy of Grouville's comments about the 3,103 empty properties identified in the Census. That is somewhat misleading in terms of a total number. I think the Deputy of St. Mary's is probably fairer when he pointed out in the statistics that it showed 23 per cent of those were deemed to be second or holiday homes. That is about 700 properties. That is probably more representative of the true picture. Properties of course in this Island are empty for many, many different reasons. In the Census it was identified 10 per cent were for sale, 29 per cent, for example, were between tenants at the time of the Census, 18 per cent were undergoing renovation, 5 per cent of the owners were in care homes. There are all sorts of different reasons why properties are empty at any particular given time. Of course the Census is, as Members will know, taken at a particular point in time.

3.5.4 The Deputy of St. John:

The Minister stated in his first answer that he may not personally be convinced about measures for this particular property type of tax. But would the Minister endeavour, even though he has promised about 5 or 6 times already, to provide the results of the property tax review that was done 2 years ago so that Members can see what members of the public contributed and identify what is feasible and what is not?

Senator A.J.H. Maclean:

Absolutely. In fact I have a copy of the draft property tax review in this file. It is a very thick document. Treasury has been busy and I have apologised before to Members. I gave an update at the Budget last year. The document is awaiting lodging with the Council of Ministers for their viewing and will be published publicly very shortly thereafter. I would just make a point to the Deputy of St. John, the point I made was that with regard to this issue was that I was not sure that taxation was the right method in order to incentivise empty properties to be put back into the marketplace, whether for rental or for sale. There are other ways perhaps and hopefully the housing strategy will pull some of this out. But there are other methods that might assist in getting some of these empty properties into the marketplace for the benefit of Islanders, bearing in mind the shortage of housing.

3.5.5 Deputy M.R. Higgins:

The Minister at the very end there came to the point I am trying to make. That is, Ministers have said they are taking action to make sure they find efficiency within States operations. Equally we should be looking at getting revenue. We have got a black hole which we know has got to be filled. People are being made redundant in all sorts of departments and I believe that the Minister should be looking at this as a revenue source ...

The Deputy Bailiff:

Deputy, can you please ask a question.

Deputy M.R. Higgins:

I am still getting there.

The Deputy Bailiff:

No, Deputy, answers have to be concise, questions have to be concise. This was turning into a speech. Could you please put your question?

Deputy M.R. Higgins:

With the black hole that we have and with the shortage of housing does not the Minister think that he should look at this and bring forward measures and deal with 2 problems at the same time?

Senator A.J.H. Maclean:

I think I have already said that this matter is being looked at. The Minister for Housing and the housing strategy has been considering this issue. It is not straightforward, as I have pointed out already for a number of reasons. I do not want to repeat those. The only final point I would make to the Deputy is that he referred to a black hole. There is no black hole. There is a deficit potentially. We are making significant investments but the Medium Term Financial Plan seeks to balance budgets by 2019. That is with making significant investments, as I have said time and time again.

3.5.6 Deputy S.Y. Mézec:

Is the Minister currently satisfied that all non-resident landlords in the Island are paying the income tax that they are liable to pay on the rent they receive for renting those properties in the Island? If he is not satisfied what is he trying to do about it?

Senator A.J.H. Maclean:

It is not for the Minister for Treasury and Resources necessarily to be satisfied, it is for the relevant Constables in the relevant Parishes to be satisfied. I am sure that if there were issues the Constables themselves would deal with the non-payment of rates.

3.5.7 Deputy S.Y. Mézec:

It helps if the Minister listens to the question. I did not refer to rates in that. I did specially say "income tax" because these non-resident landlords will be making income from rents from property in the Island that they lease out to tenants. My question to the Minister is: is he satisfied that the Income Tax Department is getting the revenue from this income from these non-resident landlords when it appears to be something that is very difficult to find tangible evidence that they are letting these properties out because we do not have a landlord register?

Senator A.J.H. Maclean:

On this occasion I do owe Deputy Mézec an apology. I did mishear what he said in his question. So just to clarify the point. I am not aware of any cases of non-compliance in this area but I am more than happy just to ensure, through the Comptroller, that there is not an issue that needs to be addressed. But he certainly has not brought it to my attention which I would have expected to be the case if there was any particular significant issues that needed addressing.

3.5.8 Deputy A.D. Lewis:

Would the Minister for Treasury and Resources agree that taxes do 2 things, they raise revenue but they also help change behaviour? A £500 average rental or rateable value of a property is not going to change behaviour whereas a tax would. Would the Minister not seriously consider that if he wants to achieve some of the other objectives the Council of Ministers want to achieve with the housing crisis, for example, that change of behaviour is an important element of taxing this element that has been discussed today?

Senator A.J.H. Maclean:

I agree with the Deputy that the benefit and purpose of some charges, fees, taxes, is indeed to change behaviour. We see that with Impôts, for example. But I would say to the Deputy that with regard to this particular issue it is a matter perhaps that one might consider discussing

with the Comité on the basis of how empty properties are dealt with in the individual Parishes with regard to rates. There may be opportunities in that area that could be explored.

3.5.9 The Deputy of St. Mary:

I thank the Minister for his various comments on which I note he is not averse to introducing measures. In that context, is he aware of the provisions in the U.K. whereby there is an annual tax on enveloped dwellings, that is tax on properties owned by companies themselves formed by individuals anxious to avoid tax where otherwise would be payable and whereby tax is payable at a simple rate according to the band and whereby, for instance, the lower band is an annual amount of £3,000 on a valued property of £500,000 to £1 million. Would that not be a simple way of introducing a measure?

Senator A.J.H. Maclean:

I am familiar with A.T.E.D (annual tax on enveloped dwellings) that the Deputy refers to. I am not sure that that particular measure and “simple” go hand in hand or indeed, for that matter, many of the tax treatments in the U.K. are not necessarily that relevant or simple, as far as we are concerned. I am more than happy to give that consideration but, as I have said previously, I think there is a simpler way that this matter can be considered and that is by working together with the Comité to consider whether the rates system is a way in which this matter could be addressed. I think that probably is worthy of the first point of consideration.