

**WRITTEN QUESTION TO THE CHIEF MINISTER
BY DEPUTY M.R. HIGGINS OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 14TH FEBRUARY 2017**

Question

Will the Chief Minister explain the role that the zero-ten tax policy plays in the maintenance of Jersey's tax neutrality; and will he advise whether or not the Council of Ministers has any plan that provides an alternative tax system to zero-ten that would maintain that neutrality in the event that the E.U. indicated that it would impose sanctions against Jersey if the zero-ten policy were maintained?

Answer

Income such as dividends and royalties received in Jersey from other jurisdictions will often have suffered tax in that jurisdiction. If that income when received by a company in Jersey was to be subject to tax in Jersey there would be double taxation and this would seriously detract from Jersey's competitive position as an international finance centre. This problem is avoided in other countries because they have a large number of tax agreements which prevent double taxation. As Jersey has few such agreements the way of avoiding double taxation is to apply a zero rate. Thereby a condition of tax neutrality is obtained.

The retention of the zero tax therefore is important if Jersey is to remain competitive as an international finance centre. As was stated in the Policy Framework for the Financial Services Industry published in 2014 we are committed to providing a tax regime that is competitive and also one that provides the stability and certainty that the business community and investors using Jersey require.

The finance industry has continued to be successful because we are competitive. The fact that employment in the finance industry is as high, if not higher, now than it was at the start of the financial crisis in 2007 is indicative of that success. The finance industry is a source of employment for thousands of Island residents, and provides well remunerated job opportunities for our young people which otherwise they would undoubtedly have to leave the Island to enjoy.

The European Union has indicated that it will consider what defensive measures or sanctions to apply to those jurisdictions that are on a list of non-cooperative jurisdictions which it is proposed will be published at the end of this year. We firmly believe that we will convince the Code Group that our present tax system is not harmful, as we did when the system was reviewed by the Code Group in 2011, and that we will not be on that list. We are therefore confident that we will be able to continue to give the business community and investors the assurance they require of the continued stability and certainty of our tax regime, and in our view there is no immediate need to plan for the provision of an alternative tax system.