

3.6 Deputy M. Tadier of the Minister for the Environment regarding the money to be raised per year from the proposed infrastructure levy: [1(270)]

How much money is estimated to be raised per year from the proposed infrastructure levy?

Deputy S.G. Luce of St. Martin (The Minister for the Environment):

Members will, I hope, be aware of my ambition to develop a planning levy, in order to fund key infrastructure improvements, particularly for the town of St. Helier, which takes the bulk of new development on our Island. My department has consulted widely with the construction industry and we have commissioned some work to help us understand the viability and benefits of such a levy. The Deputy raises an important point, but one which I am currently unable to offer a precise answer to, as the potential income from a levy will only emerge once we have completed this viability research. At a recent States Members briefing on the proposed infrastructure levy, my officers outlined the current progress of the levy work.

3.6.1 Deputy M. Tadier:

You can understand why Members get confused about which Minister to address questions to it when it is the Minister for the Environment, who is bringing forward the infrastructure levy and the Minister for Infrastructure, who is bringing forward an environmental levy. But could the Minister, perhaps, put a figure on it? I am sure he has told Members in a briefing that the estimated levy would be a total of no more than £1 million, but about the £500,000 a year mark. Is that the correct ballpark figure?

The Deputy of St. Martin:

In ballpark figures, I suppose the Deputy could use those numbers, but I would state again: it is important to get this right. Numbers change all the time and we are looking for the latest data to inform our work. The most important thing here is that any levy allows for a sensible level of profit to be made by developers, because profits are essential for lending and lending is essential for development and it is not my wish to stifle the development industry in any way.

3.6.2 Deputy A.D. Lewis:

I would be curious to know what dialogue the Minister has had with the Minister for Economic Development and his department as to how this may affect the economy and the actual business of development. He says he does not want to impact on their profits and their viability, but surely this will have an impact, in some way, on their industry and also, no doubt, will be passed on to domestic users, home owners, people who are doing developments of a domestic nature as well. What study has been done into the real impact of the infrastructure levy and is there sufficient payback from what he wants to do with the money to justify it?

The Deputy of St. Martin:

It is difficult to do a precise impact on anything until we know what sort of money we could raise, but I must tell Members, as I referred to in my previous answer, profit is essential and we have factored in and told everybody thus far that we are allowing for a 20 per cent profit margin before we look for any levy whatsoever. So, if a development is proposed, we would factor in a 20 per cent profit margin and that is the sort of level of profits that banks and lenders are looking for before they lend significant amounts of money to developers. I say to the Deputy: no, we have not got final figures, but we are allowing plenty of profit to be left in the job, so developers are not impacted.

3.6.3 Deputy M. Tadier:

I am not sure why the Minister is coy about giving us a figure, when his ministerial colleague at Infrastructure has given his estimated view, or he has told us that he wants to make X amount from the waste levy and if he does not, irrespective of what that ends up looking like. Could this Minister tell us: is he looking to tax profit here, or is he looking to tax the land? If it is the former, there seems to be a tension in him saying that profit is essential and the fact that it is based on land size, not on the profit which is yielded.

The Deputy of St. Martin:

Firstly, I think there is a not so subtle difference between myself and the Minister for Infrastructure, inasmuch as the Minister for Infrastructure has figures in the M.T.F.P. (Medium Term Financial Plan) which he needs to realise. This proposed levy is a levy which I am looking to take forward and all I am saying is that when I, or my officers, give planning permission and approval on a development, there is an immediate increase in the value of that land. All we are looking for here is a very small percentage of that increase in value to come back to us to use for infrastructure work. Every development on this Island has a small, medium, or large impact on infrastructure and we need to find ways of paying for this into the future. This is not a tax on profit. This is a levy that is looking at land values and the increase in value that property owners have when they gain an approval, which costs them very little. A rubber stamp goes on a piece of paper in my department and that gives people an enormous increase in value. We are just looking to take a very small part of that back.