

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES  
BY DEPUTY S.Y. MÉZEC OF ST. HELIER  
ANSWER TO BE TABLED ON TUESDAY 31ST OCTOBER 2017**

**Question**

What legal advice, if any, has the Minister received as to the compliance of the proposed Retail Tax with the international tax rules which have so far prevented Jersey from taxing businesses under the 0/10 system?

Further to this, what economic impact assessments, if any, have been undertaken to predict the impact of this new proposed tax?

**Answer**

It is assumed the reference to ‘businesses’ in the question is referring to ‘companies’ and the importance of maintaining the position that the standard rate of corporate income tax in the Island is 0%.

There is no need for legal advice in the context of the proposed future taxation of larger corporate retailers. In 2011 the Code of Conduct Group was satisfied that the 0% corporate income tax rate was the standard rate as it applied to the majority of companies and the majority of profits subject to Jersey corporate income tax.

The analysis of the number of companies and amount of profits subject to tax at the 0% rate vis-à-vis the 10%/20% tax rates has been refreshed in advance of the Budget proposals being lodged. The conclusion of this analysis is that the extension of the 20% rate to “larger corporate retailers” would not significantly disturb the balance of profits which are taxed at the 0% rate compared to the profits which are taxed at a positive rate of tax and also that the vast majority of companies would still be taxed at the 0% rate.

Broadly similar approaches were adopted by the Isle of Man and Guernsey when they previously introduced their equivalent retail taxes.

Economic and distributional analysis of the Budget proposals to extend corporate income tax to more companies was completed by the Economics Unit. Their report is published in Appendix 11 of the Draft Budget Statement 2018<sup>1</sup>.

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<sup>1</sup> <http://www.statesassembly.gov.je/assemblypropositions/2017/p.90-2017%20full%20budget%20statement.pdf>