

2017.01.30

12 The Deputy of Grouville of the Minister for Treasury and Resources regarding revenue raising measures to be taken as a replacement for the health charge funding: [1(79)]

Given that, in his answer to a written question from the Deputy of St. John on 17th January 2017, the Minister indicated that balanced budgets would be achieved by 2019 by, among other things “future revenue raising measures to replace the health charge funding”, will he advise what such measures will consist of?

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

The options for additional revenue-raising measures to replace the health charge will be informed by various pieces of review work currently being carried out by Treasury and the Taxes Office in the coming months. This was outlined in the 2017 Budget and that work will include reviewing our corporate income system to see if we can generate more income from it without affecting our competitiveness or its internationally compliant status. As an example, and as mentioned in the Budget debate, and provided it is safe and feasible to do so, we will consider asking large retailers to contribute more following the example of the Isle of Man and Guernsey. These considerations and others will involve engagement with States Members and Scrutiny through workshops and briefings before any final measures are proposed as part of Budget 2018.

4.12.1 The Deputy of Grouville:

Is he confident that these kind of measures he is proposing will achieve and make up the financial deficit?

Senator A.J.H. Maclean:

Obviously a lot of work has yet to be undertaken with regard to this but with our improving outturns in terms of income in 2016, together with the preliminary work undertaken on the reviews, I do have a degree of confidence that we can meet the said target of broadly balancing by 2019 as laid out.

4.12.2 Deputy S.Y. Mézec:

Will the Minister for Treasury and Resources rule out here and now any revenue-raising measures which fall on the shoulders of low and middle earners, exempting the highest earners, like he attempted to do with the health tax?

Senator A.J.H. Maclean:

One of the key pillars of our tax system is the word “fair” and I think it was indeed Members of the party on the back row opposite who were keen that that was introduced. That therefore remains a key objective to ensure that any measures that are brought forward are indeed fair and therefore are balanced to ensure that they seek their contributions from as broad a cross section of both business and the community as possible.

4.12.3 Deputy S.Y. Mézec:

It was indeed us who had the word “fair” included in that policy but it did not stop this Minister for Treasury and Resources from attempting to bring forward a regressive health tax, which by no stretch of the English language could have been defined as fair. So would he rule out here and now he will not bring forward revenue-raising measures which fall disproportionately on the shoulders of those who are least able to pay and instead he will focus on those who are most able to pay. That is

fairness, that is what is in the Strategic Plan as a result of my amendment, will he commit to doing that?

Senator A.J.H. Maclean:

Well, the Deputy and his team on the Back Benches over there have an opportunity to influence the outcome because, as I have said in my opening remark, there are going to be workshops, there are going to be engagements with States Members while we go through the process of considering the options that will come as part of the review. So I would be very keen to welcome the Deputy and his colleagues to fully participate and put forward the points he has just made to ensure that the outcome is satisfactory for all concerned.

4.12.4 Deputy M. Tadier:

We would happily contribute to the review but we know from empirical evidence that the Minister and his ministerial colleagues do not listen when Back-Benchers and when Reform Jersey ask for taxes to be fair and progressive. They prefer their own brand of taxes which are regressive and unfair, despite the lip service that was put in with the word “fair” into that amendment of the business plan or strategic plan at the time. We will certainly bring our own proposals forward before the next election so that the public can judge whether they prefer ours or the Ministers.

The Deputy Bailiff:

Deputy. Deputy. Deputy, please, can you ask your question? Firstly, when the Chair speaks Standing Orders provide that the Member should sit down. Secondly, you have not yet asked the question and you have made a number of statements. I accept that a number of statements sometimes need to precede a question but I could not see a question coming along the way. So could you ask the question now, please?

Deputy M. Tadier:

Thank you, Sir. There was no disrespect intended, it just took me a moment to hear you over my own voice. So the question is to the Minister, will he look at things that have already been suggested, for example, lifting the cap which already exists on the long-term care charge, because that already exists and it is a mechanism which he can use to make sure that is fair and proportionate without being progressive, and the same possibly for social security contributions? Those are 2 suggestions which he can take on board straight away, free of charge.

Senator A.J.H. Maclean:

I am not sure there was much of a question there. I had the opportunity of playing table tennis against the Deputy on Friday and Ministers are often accused of trying to spin matters but I can assure Members that the Deputy had a very mean spin on him when I played him. With regard to his question, these are points that have been considered before. I have alluded in my opening remarks to the areas that we are focusing on with regard to reviews. There will be workshops, there will be opportunities for Members to put in further consideration for areas that they feel should be looked at, but I think the areas that the Deputy in particular was referring to are areas that have already been given due consideration and are not at the forefront at this stage with the review that I was referring to.

4.12.5 Deputy G.P. Southern:

The Minister for Treasury and Resources' answer sounds very plausible but it is not much more than that. Is it not the fact that where this has been introduced elsewhere the large supermarket tax has raised relatively small sums of the order between £1 million and £2 million in Guernsey I understand,

and that the target that he needs to reach to balance his books is far, far greater than that and the supermarket tax will not achieve his end? Is that not the case?

Senator A.J.H. Maclean:

I am pleased to say that the Deputy is right, and I do not think I said that the potential retail tax was going to solve the problem on its own. It is part of a package. I mentioned it in my opening remarks as an example of one area where we can raise additional revenue. In fact Guernsey do not yet know exactly, I believe, what they are going to raise from this particular measure. It is, he is right, estimated to be somewhere around £1 million or £2 million. The estimates within Jersey are higher than that but nowhere near what is required. But it will be helpful, nevertheless, as part of the package in meeting the objectives that we have set. What I would also make clear is that we are looking at broadening the corporate income tax regime, we are looking at the definitions with regard to financial services companies. There are different definitions between Guernsey and the Isle of Man, and provided that we are not putting at risk our compliance with the Code Group with regard to Zero/Ten, there are possibly some options there. That is going to form a key part of the review that is going to be undertaken.

4.12.6 Senator S.C. Ferguson:

I must say I am confused by all the tax reviews that are going on. Is the one that we were going to have by March ... where is that? Also, in his comments the Minister talked about the balanced budget by 2019. How does he reconcile that with the F.P.P. (Fiscal Policy Panel) second report which considered that the balanced budget would not be achieved by 2019 and will probably be something in the order of 10 million in deficit still?

Senator A.J.H. Maclean:

With regard to the second part, that is why there needs to be additional revenue-raising measures to ensure that the gap is closed under current forecasts. There is still work to do to get to a position of a broadly balanced budget by 2019 and I think that has been made patently clear both through the budget process and on other occasions when I have been in a position to answer questions on that subject. With regard to the first part of the question asked by the Senator, that was with regard to the personal income tax review and that is ongoing. There are a number of Members in this Assembly who are part of that review and indeed there is a further meeting of that group during the course of this week and we are still on target to produce that report by the end of March.

4.12.7 Senator S.C. Ferguson:

I am sorry, a supplementary. How much work is needed to be done for that review, it was perfectly straightforward? It was look at the information behind the figures and come up with an explanation. You know, why are there only 5,300 people paying tax at 20 per cent. It is very simple, why is it so complicated?

Senator A.J.H. Maclean:

It is the Senator who I think is suggesting it is complicated. Any work needs to be done fully, there are a number of States Members who are involved in this process and the outcome will be at the end of March. I think that is perfectly reasonable. I would also point out that the cost is going to be nowhere near what the Senator originally thought her review was going to cost. I think that is also worthy of mention.

4.12.8 The Deputy of Grouville:

I am a little disappointed that 6 weeks after the Budget debate we only have a couple of suggestions of what might fill the deficit or measures of raising the loss in revenue. I would like to know if he can give us some more examples other than just the corporate income tax, large retailers. Is he going to look, for example, at financial institutions, non-banking, who give mortgages, for example? Could we learn a little more about the Minister for Treasury and Resources' thinking?

Senator A.J.H. Maclean:

I was perhaps not clear enough earlier on. It is not just 2 measures, I had sought to give an example when I referred to the fact that we are looking at the definitions around the corporate income system. That is more than just a measure. It is a number of potential measures, some of which the Deputy of Grouville mentioned herself. There are businesses within financial services that do not currently fall under the ambit of the 10 per cent rate. They are not regulated businesses, for example. There are others: insurance companies do not fall under, fund managers do not fall under it and there are companies that give loans but do not take deposits that do not fall under it. There is a whole range of businesses that are not currently under the ambit of that particular regime. Now, the definitions of which they fall under that are going to be looked at and that is part of the review. So it is not a single item, it is quite broad and there are opportunities, we believe, there provided we maintain our compliance, as I mentioned earlier, with the Code Group so we do not put at risk our competitiveness or, indeed, our whole tax system.