

2020.07.13

5 Deputy S.M. Ahier of St. Helier of the Minister for Treasury and Resources regarding Retail Tax: (OQ.199/2020)

Will the Minister advise the Assembly whether she is considering the removal of the retail tax as part of the Government's stimulus package in order to promote economic growth for local businesses?

Deputy S.J. Pinel (The Minister for Treasury and Resources):

I am grateful to the Deputy for confirming that he is referring to the so-called large corporate retailers tax, which taxes the profits of retailers only when they exceed £500,000. This tax was introduced in Budget 2018 at the request of the Assembly during its Budget debate in December 2016. It resolved the longstanding complaint that some high street retailers owned offshore paid no taxes in Jersey. 2018 was the first year of assessment. Early analysis of corporate income tax returns suggest that the tax is on track to deliver more than £7 million, some £1.3 million more than originally forecast. The large corporate retailers tax is a tax on profitability and not on turnover. The charge applies only to taxable profits exceeding £500,000. That is to say, profits after all business expenses are deducted. If a retailer does not achieve this level of taxable profits then there is no tax to pay. The rate of taxation also gradually tapered above the £500,000 threshold so that the full rate of 20 per cent is only paid if taxable profits reach £750,000. For example, a business with taxable profits of £501,000 pays income tax of £600, 0.1 per cent, and one with taxable profits of £750,000 pays £150,000 at 20 per cent. I am not considering removal of the retail tax as part of the Government's stimulus package. The tax applies only to a retail business when it is very profitable. Our fiscal stimulus package is designed to have much broader application, putting money into the pockets of all Islanders.

3.5.1 Deputy S.M. Ahier:

I doubt very much that the retail tax will be bringing in £7 million this year. With more large retail premises lying empty due to the pandemic would not a reduction in the retail tax attract new companies to open in Jersey?

Deputy S.J. Pinel:

I thank the Deputy; it is a very reasonable question. But there is only so much that can be done in the short space of time. As this was agreed by the Assembly for 2018, it would not be possible to bring back something that would have a swift effect at the moment. This affects a very few number of large retailers and it is only on profits over £500,000, as I mentioned before.

3.5.2 Deputy M. Tadier of St. Brelade:

Does the Minister agree that one of the successful areas of business, one of the successful sectors, was the food sale market, which reported a massive growth in their revenue due to COVID when everybody was on-Island and spending money and stocking up? Does she think that it was really lucky that we had voted for this retail tax so that some of those profitable companies could then contribute much needed tax at this current time back into the coffers?

Deputy S.J. Pinel:

Of course, this was not on the cards in 2018, it has come as a global shock to everybody so it was not introduced for that reason. As I keep saying, these are large retailers and, as the Deputy mentioned, certainly in food and drink retail then the retail companies have done quite well in the current circumstances. They are not taxed on profits under £500,000.

[15:00]

3.5.3 Deputy K.F. Morel of St. Lawrence:

Would the Minister be able to advise the Assembly as to whether or not an inflation impact analysis has been undertaken with regard to the retail tax to see whether it has had any impact on prices in Jersey?

Deputy S.J. Pinel:

We are doing all sorts of impact assessments, which we may not necessarily have been doing without the current situation, but in order to produce the budget and forecasting for the Government Plan then there are a lot of impact assessments being conducted at the moment.

3.5.4 Deputy K.F. Morel:

Among all those impact assessments is one of them about the retail tax?

Deputy S.J. Pinel:

Not necessarily totally about the retail tax but that comes under the whole equation of taxation, which of course for 2020 and 2021 is predicted to be much lower than anticipated in the previous Government Plan, so all sorts of taxation are being analysed.

3.5.5 Deputy S.M. Ahier:

Will the Minister agree that in this time of recession we need to encourage high street retail businesses and not discourage them?

Deputy S.J. Pinel:

I completely agree with the Deputy. Yes, of course we should encourage them and we have done a huge amount so far, as the Deputy will be aware, with the deferral of G.S.T. (goods and services tax) and social security payments and the co-payroll funding scheme, which has helped businesses enormously over the last few months when any business in retail has been very difficult.