

2020.04.21

4 Deputy I. Gardiner of St. Helier of the Minister for Treasury and Resources regarding a review of Jersey's tax system once the Covid-19 pandemic had concluded: (OQ.95/2020)

Will the Minister undertake to review Jersey's tax system, once the COVID-19 pandemic has concluded, including the Zero/Ten regime and G.S.T.(Goods and Services Tax), in order to ensure that the system is fair, has few anomalies, avoids a disproportionate burden on those with less income and fewer assets, and is consistent in respect of residence?

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

It is likely that we will need to raise taxes in the aftermath of the COVID pandemic to help restore government finances. Such an increase will need to be balanced against the need to stimulate the economy and requires careful consideration to ensure that our overall tax regime maintains the international competitiveness of our economy, remain stable and sustainable, is fair and equitable, and continues to enable us to deliver vital services for Islanders. COVID-19 has emphasised what we already know, that is how reliant Jersey is on the health of the finance sector and on the taxes we receive from employment income. As part of the recovery work, I will be reviewing options for raising taxes with ministerial colleagues, looking at which areas of taxation ought to be reviewed in the short to medium term. The tax policy principles set out in the last Government Plan will guide our work. Significant reviews of aspects of Jersey's tax system are already in train, most notably the ongoing review of personal tax, which now includes examination of the case for removing the so-called prior year basis of taxation. Work in respect of the latter I have asked to be accelerated. I have also asked officials to accelerate work on a planned review of the international services entity scheme, which forms part of our G.S.T. regime.

3.4.1 Deputy I. Gardiner:

Thank you for the Minister for the answer. I would like to ask if she could also reassure Jersey's average owners that the burden of replacing the funds taken from the resource will not be placed upon them?

Deputy S.J. Pinel:

Yes, obviously we have to, as I have said in my opening remarks, do an across the board review. It will not just concentrate on one area and will remain balanced. The major part of the tax revenue is from the finance sector, as I alluded to, and there is a large proportion of the population that do not pay any tax at all because our tax threshold, almost £16,000 for an individual, is one of the highest. So there are a lot of people on the lower end of the scale who do not pay any tax at all. The middle earners, to which the Deputy refers, we are very aware should not carry the burden.

3.4.2 Connétable A.S. Crowcroft of St. Helier:

Would the Minister confirm that while it is important of course to build up the economy and our key services like health and education, we must resist any attempts in an age of austerity to starve the environment of funds needed to maintain and improve its quality?

Deputy S.J. Pinel:

I think the environment has benefited hugely from the lockdown so we can probably be a step towards our carbon neutral as this carries on. However, it has to be a very balanced approach, as I have said twice now, hence a review, so everything would be considered.

3.4.3 Deputy M. Tadier:

Is the Council of Ministers - of full Ministers of course - committed to income inequality now and in the short and medium term? Reducing income inequality that should be, as per the Strategic Plan?

Deputy S.J. Pinel:

Yes, I thought there was a bit of a word missing in the question. Yes, we are moving absolutely towards equality across the board.

3.4.4 Deputy M. Tadier:

Will the Minister for Treasury and Resources therefore do all that she can while she is in post to make sure that any changes in the future to the tax system only support reducing income inequality and do not seek to exacerbate it?

Deputy S.J. Pinel:

I shall do what I can but, equally, the population has to be aware that there is a huge demand on our resources at present and that will have to be replaced. We cannot drain the resources and leave it for future generations to pick up the pieces. So it is going to have to be a very careful review as to what we can do that does not harm those who can least afford it but equally will build up the coffers, for want of a better word, that we will have not necessarily drained but certainly used considerably during this crisis.

The Bailiff:

I have had a number of Members who have indicated a desire to ask further questions as supplementary to this. I have already called last question for Deputy Gardiner by listing those who are already noticed. I am afraid we are well over the time for this question so I cannot allow any more time. But the ones I have already called I will allow.

3.4.5 Deputy K.F. Morel:

Given that this is a period of immense uncertainty with people losing jobs and businesses collapsing, does the Minister believe that now is the right time to create greater uncertainty among Islanders by referring to changes in the tax system, by referring to tax rises, as the Assistant Minister for Treasury and Resources did just a week or so ago? Does the Minister agree that now is a time when Islanders want reassurance and not greater uncertainty?

Deputy S.J. Pinel:

Yes, I understand Deputy Morel's question but it is a question that is consistently asked of me and my colleagues as to how we are going to repair the financial damage that this pandemic is causing. It would be wrong of me not to answer. I do not think it is causing panic, if you like, as the Deputy referred. It is just to reassure the Islanders that we are going to have to review this and to be transparent now to warn people that this is what we are going to have to review and taxes of some sort of description, we do not know which yet, will have to increase in order we do not have a massive black hole.

Deputy K.F. Morel:

Brief supplementary. I did not refer to panic. I just wanted to correct the Minister. But I will avoid the supplementary.

3.4.6 Deputy G.P. Southern of St. Helier:

Does the Minister agree with me that the fairest means of raising tax is through income tax and that far from being a rich island we appear to be an island of rich people and that the wealthy should pay a little more?

Deputy S.J. Pinel:

I think that there has always been that question from the Deputy but we have to appreciate that the wealthy or very wealthy residents that we have do provide a huge amount of our income tax and that should not be ignored. They provide, I think from memory, about 62 per cent of the income tax based on 2017 figures. I think we have to be careful about how we define who pays tax and who does not and, as I mentioned in a previous answer, there is a considerable amount - 30 per cent - of Islanders who do not pay tax at all.

3.4.7 Deputy G.P. Southern:

Would the Minister have a date in mind in which she can bring to the House estimates for income for the coming year?

Deputy S.J. Pinel:

No, not at this stage I do not.

Deputy G.P. Southern:

Shame.

3.4.8 Deputy R.J. Ward:

The Minister mentioned an across the board review, who does she see as the main influencers over this review as she undertakes it?

Deputy S.J. Pinel:

Sorry, I am not quite sure I understood that. Who are the main influencers?

Deputy R.J. Ward:

Yes, who are those that you will consult on during this review and give priority to their opinions?

Deputy S.J. Pinel:

OK, thank you. It will be a very broad range of people that will be consulted on this and we have only just really sort of come to the conclusion of the personal income tax which will feed into this. That review will feed into the next one, so there is a lot of work to be done and obviously it will be the officers in the Tax Department who will decide who they consult.

3.4.9 Deputy R.J. Ward:

Apart from the fact it seems to me it is the officers who are the influencers. Given that it was pointed out twice that a number of people on very low incomes do not pay tax, will these people be listened to rather than ... it may be suggested that changing or making the tax regime more punitive for those on low income?

Deputy S.J. Pinel:

Of course they will. That is the whole point of a review, is to be across the board so that everybody is consulted. You cannot consult 100,000 people so there have to be representatives from all Departments, all angles, all taxpayers or non-taxpayers. So across the board, as I have said.

3.4.10 Deputy I. Gardiner:

How will the Minister ensure the financial burden is spread fairly over the generations and when the Minister is planning to bring to the Assembly the plan to replace the funds taken from the reserves during the pandemic?

[10:30]

Deputy S.J. Pinel:

The funds will have to be replaced and there must not be an additional burden on any sector of society. We are all in this together, as the phrase currently goes, and it will be across the board. As I keep saying, that we will have to make sure that everybody pays their dues and pays them fairly.

Deputy I. Gardiner:

Supplementary?

The Bailiff:

No, I am sorry, Deputy, that was your final supplementary.

Deputy I. Gardiner:

No, but I ask if the Minister can indicate when ...

The Bailiff:

No, I am sorry, Deputy, there is an answer to the question. There is no availability on final supplementary for another supplementary. The trick is in the word “final”.