

Deputy Chief Minister |
Minister for Economic Development,
Tourism, Sport and Culture



Deputy Steve Ahier
Vice-Chair, Corporate Services Scrutiny Panel
By Email

27th January 2022

Dear Deputy Ahier,

Enveloped Property Transactions Tax Review

Thank you for your letter dated 20th January seeking my interpretation of the economic analysis of the proposed Enveloped Properties Transaction Tax.

The economic analysis concludes the proposed tax is unlikely to have significant macroeconomic impacts. I note that the analysis concludes that the most likely outcome is that sellers will receive lower prices for their property. Should this result in any reduction in supply, this could be damaging to the economy - but I note that the report's authors state that they do not believe the tax will significantly deter developers from being active in Jersey. I remain unconvinced about this.

Further, the purpose of the proposed tax is to close a gap, and to ensure that property transactions are taxed in the same way whether the property is enveloped or not. While I am naturally opposed to any tax that causes undue friction within the market, it is difficult to argue with the principle that tax should be fair and neutral.

However, I believe that a greater understanding is needed of the potential impacts of this new tax before I can agree with this conclusion. A level of uncertainty is highlighted in the economic analysis report itself, which states: 'Other factors which affect the Jersey property market – such as changes in general economic conditions and changes in working practices following Covid-19 – may well turn out to have bigger impacts on the property market than the proposed tax changes.'

Yours sincerely,

A handwritten signature in black ink, appearing to read "L. Farnham", followed by a period.

Senator Lyndon Farnham
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