

19-21 Broad Street | St Helier
Jersey | JE2 3RR

Deputy Steve Ahier
Vice-Chair
Corporate Services Scrutiny Panel

31st January 2021

Dear Deputy

Corporate Services Scrutiny Panel Enveloped Property Transactions
Tax Review Hearing

1. Please could you provide an update of the status of the current Fiscal Framework being used by both yourself and your officers?

Jersey's fiscal framework was reviewed internally during 2019. This has resulted in a set of fiscal guidelines that we have used in each Government Plan:

- Seek to increase the Strategic Reserve and public sector net worth, while following the advice of the Fiscal Policy Panel on borrowing and net financial assets
- Run a primary structural current balance or surplus in the long term until the Strategic Reserve is judged large enough to meet its mandate
- Borrow only to finance investment (or refinance liabilities), except under times of economic duress, and monitor the impact on net financial assets.

As stated in the Government plan 2022-2025: *"The Fiscal Framework continues to be kept under review, and an updated version of the framework is expected to be produced before the next Government Plan."*

2. Why has it not been updated since the previous States Assembly?

The framework has been reviewed internally and a new set of guidelines has been published alongside each Government Plan. These have informed the decision making in each of the Government Plans in the current Assembly

3. What risks are incurred by a failure to update this Framework?

The fiscal framework remains an important pillar of Jersey's economic and fiscal policy. The principles of the existing framework are consistent with the financial strategy used in the Government Plan and the guidelines have been included in the latest Government Plan, and in previous Plans. The Fiscal Policy Panel have indicated that they are supportive of the guidelines. Their 2019 Annual Report stated *"The guidelines provide criteria against which the Panel can assess the long-term fiscal sustainability of Government Plans."*

4. When can we expect a review of – and subsequent updates to – the Framework to be carried out?

We have committed to a review of the framework before the next Government Plan and intend to present an updated version to the assembly.

5. Why has the Revenue Policy Development Board recommended introducing Enveloped Property Transaction Tax, when the Fiscal Policy Panel has indicated that “revenue raising steps, including higher taxes, impose a burden and would not be appropriate at present” in their latest annual report?

As we discussed during the Public Hearing, EPTT is primarily a measure to deliver equity and fairness in Jersey’s tax system and not a revenue-raising measure per se. It cannot be right that unenveloped commercial property transactions are subject to Stamp Duty or Land Transactions Tax while enveloped ones are not.

Enveloping is a legitimate business practice but is it necessary to ensure that such transactions bear equivalent taxation to that levied under the Stamp Duty Law and the Land Transactions Tax law. If EPTT is not created, we would be perpetuating a perverse incentive to envelope commercial property purely to secure a tax advantage, risking future receipts from Stamp Duty and LTT.

The Government endorses and accepts FPP advice not to introduce significant new tax burdens while economic recovery continues. However, this is not considered to be a significant fiscal change; the economic advice indicates that it is unlikely to have a major impact at the level of the aggregate economy and that it is not anticipated that property developers will be significantly deterred from being active in Jersey.

6. The published minutes of the Revenue Policy Development Board, which only include those up to May 2021, do not indicate any discussion of Enveloped Property Transactions Taxation, other than in February 2020. Why is this the case?

RPDB minutes are published subject to a review and confirmation in the subsequent RPDB meeting. There were no RPDB meetings between May and October 2021. Following the October 2021 meeting, RPDB next met on 28 January 2022. The October 2021 minutes have been published today -

<https://www.gov.je/government/policydevelopmentboards/pages/revenuepolicydevelopmentboard.aspx>

I recognise that the current system for approving the minutes can lead to delays in publishing them and I have asked for that process to be reviewed.

Summary of EPTT briefings held in RPDB meetings

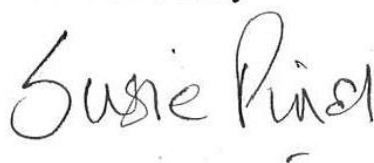
- The meeting of RPDB in February 2021 included discussion of EPTT progress in the context of a wider discussion under “Stamp Duty Review”.
- The meeting of RPDB in April 2021 included a verbal update to the Board, and some discussion, under “Update on tax policy projects”.

- The meeting of RPDB in October 2021 included discussion of industry responses to the then draft legislation and agreed that the proposed legislation should be lodged to the agreed timescale.

RPDB minutes are focussed on substantive conclusions and decisions, and actions arising. They do not attempt to record all details of all discussions, both for simplicity and also to avoid the need materially to redact them for tax-policy matters under development, where firm conclusions have not yet been reached. Wherever helpful, the Report accompanying a proposition to the States Assembly will include salient points from RPDB deliberations.

In addition, as the Comptroller set out at last week's Public Hearing, the Chief Minister spoke with the Chair of JFL's Fiscal Strategy Group twice - once with other political members of RPDB – to hear further representations against the proposed tax before RPDB took the decision to recommend to CoM proceeding with lodging P.119/2021. COM then supported the decision to lodge.

Yours sincerely

A handwritten signature in black ink that reads "Susie Pinel". The signature is written in a cursive, flowing style.

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Minister for Treasury and Resources

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