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Deputy David Johnson
Chair
Economic and International Affairs Scrutiny Panel
By e-mail

02 July 2021

Dear Deputy Johnson,

Economic and International Affairs Scrutiny Panel
Taxation of Profits on Medicinal Cannabis in Jersey

Thank you for your letter of 25th June and questions regarding the Regulations for the Licence, Application, Production and Export of Medicinal Cannabis in Jersey. Please see my responses to your questions.

- 1. Under Part 4 of the Government Plan 2021-24, it is stated that one of the measures to raise approximately £10m is the ‘taxation of medicinal cannabis growing and processing’. Please can you advise when you intend to propose legislation for the taxation of medicinal cannabis growing and processing?**
- 2. In respect of taxation of medicinal cannabis growing and producing, when do you anticipate that the amendment to the Income Tax (Jersey) Law 1961 will come into force?**

As you may know, the Finance Law 2021 introduced a new Article into the Income Tax Law 1961 – Article 143AA – which provides the power to make Regulations for the taxation of the profits of companies whose business involves or relates to cannabis or its derivatives. A further amendment is likely to be brought forward in this year’s Finance Law to enable taxation of entities other than companies (e.g. partnerships).

Officers within Revenue Jersey are members of the cross-government Cannabis Co-ordination Group, who meet regularly to discuss issues related to the cannabis industry. More recent discussions have included the scope of the charge to tax for the cannabis industry.

As part of its role in the governance of key tax policies, the Revenue Policy Development Board (RPDB) decided earlier this year that the profits of the cannabis industry should be taxed at the rate of 20% and that normal business tax principles should apply.

The Regulations to tax the cannabis industry are currently being drafted and officers are working closely with colleagues in the Cannabis Co-ordination Group to ensure the tax

treatment is in line with latest thinking and policy considerations. I expect to lodge the Regulations before the end of August and bring them into force for the year of assessment 2022 (i.e. from 1 January 2022).

3. What percentage of the target £10m per annum in tax revenues will be made up of taxation of profits on medicinal cannabis growing and processing?

As you rightly say, taxation of the cannabis industry is included as one of the tax measures that has been forecast to help balance budgets by 2024. It is not yet possible to forecast how much tax will be raised from the taxation of the cannabis industry in Jersey. This is because the industry is in its very early stages and forecasts would be speculative. Even when those companies that are already licensed are fully operational, we do not expect them to be profitable straight away. Officers are reviewing the position as more information becomes available.

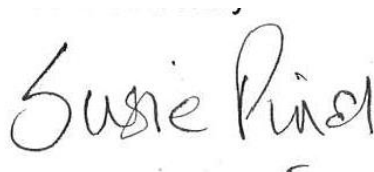
4. Will medicinal cannabis cultivators and processors be treated any differently for the purposes of taxation of medicinal cannabis growing and processing?

Revenue officers are working closely with colleagues across government to ensure that the taxation of the cannabis industry captures relevant activities. There is no intention to treat medicinal cannabis cultivators and processors differently. All relevant activities will attract tax at 20%. For completeness, I should mention that when deciding on the scope of the charge to tax, RPDB's view was that certain activities should not be in scope – that is, retailers *selling* certain products that contain cannabidiol (CBD), a cannabis derivative, for example, retail of essential or cooking oils containing CBD.

5. Do you intend to follow the Government Plan 2021-24 proposals in respect of the taxation of medicinal cannabis growing and processing?

As I mentioned in my opening paragraph, an amendment will be included in this year's Finance Law to ensure that the Revenue are able to tax entities other than companies who may join the industry in future.

Yours sincerely



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