

STATES OF JERSEY



PROPOSED GOVERNMENT PLAN 2024- 2027 (P.72/2023): SECOND AMENDMENT

REMOVAL OF REGTECH SUPER- DEDUCTION

Lodged au Greffe on 19th October 2023
by Deputy M.B. Andrews of St Helier North

STATES GREFFE

PROPOSED GOVERNMENT PLAN 2024-2027 (P.72/2023): SECOND
AMENDMENT

1 PAGE 2, PARAGRAPH (a) –

After the words “Article 9(2)(a) of the Law” insert the words –

“, except that in Summary Table 1, the 2024 estimate for Corporate Income Tax should be increased by £200,000”.

2 PAGE 2, PARAGRAPH (I) –

After the words “Appendix 3 to the Report” insert the words –

“, except that on pages 40 and 41 the paragraph entitled ‘Regulatory Technology (RegTech) Super-Deduction’ should be deleted”.

DEPUTY M.B. ANDREWS OF ST. HELIER NORTH

Note: After this amendment, the proposition would read as follows –

THE STATES are asked to decide whether they are of opinion –

to receive the Government Plan 2024 – 2027 specified in Article 9(1) of the Public Finances (Jersey) Law 2019 (“the Law”) and specifically –

- (a) to approve the estimate of total States income to be paid into the Consolidated Fund in 2024 as set out in Appendix 2 – Summary Table 1 to the Report, which is inclusive of the proposed taxation and impôts duties changes outlined in the Government Plan, in line with Article 9(2)(a) of the Law, **except that in Summary Table 1, the 2024 estimate for Corporate Income Tax should be increased by £200,000;**
- (b) to refer to their Act dated 30th September 2016 and to approve the application of existing resources for work on the development of ‘user pays’ charges in relation to all aspects of waste, including commercial and domestic liquid and solid waste;
- (c) to approve the proposed Changes to Approval for financing/borrowing for 2024, as shown in Appendix 2 – Summary Table 2 to the Report, which may be obtained by the Minister for Treasury and Resources, as and when required, in line with Article 9 (2)(c) of the Law, of up to those revised approvals;
- (d) to approve the extension of the use of the existing Revolving Credit Facility to include the provision of funds that would otherwise be implemented through bank overdraft or bank overdraft facilities under Article 26 (1)(a) of the Law, should they be needed, subject to the limits outlined in that article;

- (e) to approve the transfers from one States fund to another for 2024 of up to and including the amounts set in Appendix 2 – Summary Table 3 in line with Article 9(2)(b) of the Law;
- (f) to approve a transfer from the Consolidated Fund to the Stabilisation Fund in 2024 of up to £25 million, subject to a decision of the Minister for Treasury and Resources based on the availability of funds in the Consolidated Fund as at 31 December 2023 in excess of the estimates provided in this plan, or from budgeted underspends identified before 31 December 2024;
- (g) to approve each major project that is to be started or continued in 2024 and the total cost of each such project and any amendments to the proposed total cost of a major project under a previously approved Government Plan, in line with Article 9(2)(d), (e) and (f) of the Law and as set out in Appendix 2 - Summary Table 4 to the Report;
- (h) to approve the proposed amount to be appropriated from the Consolidated Fund for 2024, for each Head of Expenditure, being gross expenditure less estimated income (if any), in line with Articles 9(2)(g), 10(1) and 10(2) of the Law, and set out in Appendix 2 – Summary Tables 5(i) and (ii) of the Report;
- (i) to approve the estimated income, being estimated gross income less expenditure, that each States trading operation will pay into its trading fund in 2024 in line with Article 9(2)(h) of the Law and set out in Appendix 2 – Summary Table 6 to the Report;
- (j) to approve the proposed amount to be appropriated from each States trading operation’s trading fund for 2024 for each head of expenditure in line with Article 9(2)(i) of the Law and set out in Appendix 2 – Summary Table 7 to the Report;
- (k) to approve the estimated income and expenditure proposals for the Climate Emergency Fund for 2024 as set out in Appendix 2 – Summary Table 8 to the Report; and
- (l) to approve, in accordance with Article 9(1) of the Law, the Government Plan 2024-2027, as set out at Appendix 3 to the Report, except that on pages 40 and 41 the paragraph entitled ‘Regulatory Technology (RegTech) Super-Deduction’ should be deleted.

REPORT

The Reg Tech super deduction for investment will allow Jersey's regulated financial services businesses to receive tax credits which exceed the value of investment by 150 percent which seems incredibly generous when regulated businesses pay a maximum of 10 percent in tax on business profits under the zero ten tax regime.

The Council of Ministers in proposing the Reg Tech super deduction tax incentive advocate tax credits on firms' profits when Jersey's regulated financial service businesses are taxed at a diminutive rate of 10 percent.

With Jersey's regulated financial services businesses able to reinvest 90 percent of profits which are non-taxable back into the business, to invest in Reg Tech, without the need for tax credits being applied. It therefore seems futile implementing such an economic policy when Jersey's financial services businesses will make investments in Reg Tech anyway, as firms will seek to remain relevant and competitive in the marketplace by investing in productive-enhancing technologies.

I believe this economic policy is not necessary and that is why I have lodged this amendment to the Government Plan 2024-27 to rescind this economic policy. Despite the economic policy being one that is well intended, there is little need to implement this economic policy by giving tax breaks to corporations who invest in Reg Tech.

Also, the Council of Ministers forecast an income tax loss of £200,000, however the taxable losses as result of the super deduction could be much greater than that which has been forecast in the Government Plan; the Council of Ministers cannot control the number of firms who invest in technology, so the cumulative tax loss could be much higher than that which has been forecast.

Financial and staffing implications

If this amendment is successful the Consolidated Fund will receive an increased income forecast of £200,000 in Corporate Income Tax.