

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY DEPUTY G.P. SOUTHERN OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 15th MAY 2012**

Question

Will the Minister assure members that he will keep his promise to bring forward in his fiscal policy for 2013, and beyond in the Medium Term Financial Plan, measures that will deal with the absence of a contribution to Jersey's tax revenues from zero-rated companies?

What lessons, if any, has he learned from the experience of Gibraltar in attempting to raise revenue from such companies without breaching European Union regulations?

Answer

The Minister remains committed to bringing forward measures to deal with the issue of non-finance, non-locally owned businesses. However, the Deputy's question is fundamentally flawed when it states that there is an "absence of a contribution to Jersey's tax revenues from zero-rated companies". As has been stated many times, those companies which are subject to tax at 0% contribute significantly to tax revenues either through taxes and Social Security paid by individuals they employ, GST or contributing to the taxable profits of the finance industry.

In accordance with P157/2010 the Minister has committed to bring forward measures 'provided that to do so would not jeopardise the integrity of Jersey's business tax regime or its international competitive position'. There is a further and very important issue to consider. The economic climate has deteriorated since that proposition was approved. Jersey is facing rising unemployment and the non-financial services industry in particular is feeling the effects. As well as ensuring Jersey's international position is protected, it is just as important that measures are not taken to worsen the employment position.

A significant amount of work has been done on this and the fact that it has taken so long to deal with illustrates that this is not a simple issue and there is no perfect solution.

Members will be fully briefed on this issue before the Budget debate. A report will be issued in the summer and proposals will be brought forward in the Budget Statement.

The Deputy rightly mentions the recent Gibraltar case. This highlights two issues. Firstly that the international world is constantly changing and Jersey needs to act accordingly. Secondly, assuming the Code of Conduct Group takes a similar position as that taken by the European Court of Justice, it will not be possible to tax the majority of companies in Jersey and maintain a compliant regime.

Jersey chose to implement zero/ten as that was in its best interests to protect its economy. It more recently chose to maintain zero/ten for the same reason. No action will be taken to jeopardise that position. Similarly no action will be taken which jeopardises employment when the economy is so fragile.