



**THE STATES assembled on Tuesday,
2nd December 1998 at 9.30 a.m. under
the Presidency of the Bailiff,
Sir Philip Bailhache**

All members were present with the exception of –

Senator Vernon Amy Tomes – ill
Francis Herbert Amy, Connétable of Grouville – ill
Robert Lester Le Brocq, Connétable of St. Helier– ill.

Prayers

Cottage Homes Committee – resignation of Committee

THE STATES accepted the resignation of Senator Corrie Stein, President of the Cottage Homes Committee, together with the members of the Committee.

Cottage Homes Committee – vacancy in Presidency

In accordance with Article 28(3) of the States of Jersey Law 1996, the Bailiff gave notice that there was a vacancy in the office of President of the Cottage Homes Committee.

BUDGET 1999 and amendments – P.238/98

THE STATES resumed consideration of the Budget 1999 and considered the estimates of the revenue income and of the expenditure of the Trading Committees.

TRADING COMMITTEES

Harbours and Airport Committee

Harbours – Pages 53 and 54

THE STATES, having considered the estimates of the Harbours and Airport Committee for the Harbours decided to allow the amounts of the said estimates as detailed in pages 53 and 54 of the Budget.

Airport – Pages 56 and 57

THE STATES commenced consideration of the estimates of the Harbours and Airport Committee for the Airport and adopted a proposition of Senator Jean Amy Le Maistre that for the Airport revenue expenditure there should be a reduction in the Directorate vote from £536,400 to £380,100.

Members present voted on the amendment as follows –

“Pour” (33)

Senators

Shenton, Horsfall, Rothwell, Le Maistre, Stein, Quérée, Syvret, Kinnard.

Connétables

St. Lawrence, St. Mary, St. Brelade, St. Peter, St. Ouen, Trinity, St. Saviour, St. Clement.

Deputies

Wavell(S), H. Baudains(C), St. Mary, S. Baudains(H), Pullin(S), Duhamel(S), Layzell(B), Breckon(S), Grouville, St. Martin, St. John, Le Main(H), Blampied(H), Vibert(B), de la Haye(B), St. Peter, St. Ouen.

“Contre” (16)

Senators

Bailhache, Norman, Walker.

Connétables

St. Martin, St. John.

Deputies

Le Sueur(H), Coutanche(L), Le Geyt(S), Trinity, Johns(H), Routier(H), Dorey(H), Huet(H), Rabet(H), Crowcroft(H), Dubras(L).

THE STATES, having considered the estimates of the Harbours and Airport Committee for the Airport, as amended, decided to allow the amounts of the said estimates as detailed in revised pages 56 and 57 of the Budget.

Members present voted as follows –

“Pour” (47)

Senators

Shenton, Horsfall, Rothwell, Le Maistre, Stein, Quérée, Bailhache, Norman, Walker, Kinnard.

Connétables

St. Lawrence, St. Mary, St. Brelade, St. Peter, St. Martin, St. Ouen, St. John, Trinity, St. Saviour, St. Clement.

Deputies

Wavell(S), H. Baudains(C), Le Sueur(H), Coutanche(L), St. Mary, S. Baudains(H), Le Geyt(S), Trinity, Pullin(S), Johns(H), Duhamel(S), Routier(H), Dorey(H), Layzell(B), Breckon(S), Grouville, Huet(H), St. Martin, Le Main(H), Blampied(H), Rabet(H), Crowcroft(H), Vibert(B), de la Haye(B), St. Peter, Dubras(L), St. Ouen.

“Contre” (2)

Senator

Syvret.

Deputy

St. John.

THE STATES, having considered the estimates of the revenue income and of the expenditure of the

Telecommunications Board and the Committee for Postal Administration, decided to allow the amounts of the said estimates as detailed in the undermentioned pages of the Budget as follows –

Telecommunications Board – Pages 59 and 60
 Committee for Postal Administration – Pages 62 and 63.

THE STATES noted a credit of revenue expenditure for each of the undermentioned Committees as shown on page 3 of the Budget –

	£
Policy and Resources Committee	1,144,300
Finance and Economics Committee	56,617,700
Establishment Committee	3,687,000
Planning and Environment Committee	2,422,500
Health and Social Services Committee	78,872,600
Education Committee	60,064,000
Public Services Committee	16,792,800
Agriculture and Fisheries Committee	8,128,000
Tourism Committee	7,404,000
Defence Committee	21,544,900
Employment and Social Security Committee	54,000,000
Housing	706,000
House Committee	4,000
Legislation Committee	77,000
Sport, Leisure and Recreation Committee	3,906,000
Prison Board	4,460,100
Etat Civil Committee	70,000
Overseas Aid Committee	3,320,000
Broadcasting Committee	4,000
Special Committee to Consider the Relationship between Committees and the States	10,000

THE STATES, referring to the summary of income and revenue expenditure appearing on page 69, agreed the total revenue expenditure in the sum of £456,517,800, being £386,807,200, from non-trading committees and £69,710,600 from trading committees; the total income in the sum of £155,579,400, being £63,538,400 from non-trading committees, £89,041,000 from trading committees and £3,000,000 return from the Financial Services Commission; and, having allowed for the total investment income in the sum of £8,000,000 and the estimated

transfer to Trading Funds of £17,307,900, agreed the amount to be transferred to the General Reserve in the sum of £24,000,000.

THE STATES noted that on the basis of levels of taxation proposed by the Finance and Economics Committee the surplus on the revenue account to be transferred to the capital fund amounted to £4,411,100.

Having allowed for a balance of £43,794,200 to be brought forward at 1st January 1999, the transfer to the Strategic Reserve of £3,000,000, and taking into account the capital repayments and receipts of £59,547,400, the States noted that there would be available in the capital fund the sum of £104,752,700.

Consideration of the Budget was adjourned.

Capital programme 1999

THE STATES, adopting a proposition of the Policy and Resources Committee, approved in principle the proposals included in the capital programme set out on pages 66 and 67 of the Budget.

THE STATES recommenced consideration of the Budget and proceeded to consider the estimates of capital expenditure recommended by the Finance and Economics Committee on pages 66 and 67 of the Budget and –

NON-TRADING COMMITTEES

The estimate of the capital expenditure of the Establishment Committee appearing on page 66 of the Budget was allowed.

The estimate of the capital expenditure of the Planning and Environment Committee appearing on page 66 of the Budget was allowed.

THE STATES commenced consideration of the estimate of the capital expenditure of the Health and Social Services Committee and considered an amendment of the Committee that on page 66, in the estimate of the Committee –

“(a) there should be added the following items –

Robin Ward – refurbishment – £340,000
Clinique Pinel – refurbishment – £859,000;

(b) the Finance and Economics Committee in Vote No. C0070 ‘Capital Reserve Vote’, for the amount of £7,350,000 there should be substituted the amount of £6,151,000.”

The President of the Health and Social Services Committee withdrew the amendment, having been assured by the President of the Finance and Economics Committee that in the event that the Health and Social Services Committee was able to carry out the works in 1999 the sum required would be brought forward from the year 2000 Capital allocation.

The estimate of capital expenditure of the Health and Social Services Committee appearing on page 66 of the Budget was allowed.

The estimate of the capital expenditure of the Finance and Economics Committee appearing on page 66 of the

Budget was allowed.

The estimate of the capital expenditure of the Education Committee appearing on page 66 of the Budget was allowed.

The estimate of the capital expenditure of the Public Services Committee appearing on page 67 of the Budget was allowed.

The estimate of the capital expenditure of the Defence Committee appearing on page 67 of the Budget was allowed.

The estimate of the capital expenditure of the Housing Committee appearing on page 67 of the Budget was allowed.

The estimate of the capital expenditure of the Prison Board appearing on page 67 of the Budget was allowed.

THE STATES noted that the amount to be voted from the Capital Fund was £85,018,000.

THE STATES then proceeded to consider the estimates of capital expenditure to be financed from the Trading Funds on page 68 of the Budget and—

The estimate of the capital expenditure of the Harbours and Airport Committee appearing on page 68 of the Budget was allowed.

The estimate of the capital expenditure of the Telecommunications Board on page 68 was allowed.

The estimate of the capital expenditure of the Committee for Postal Administration appearing on page 68 was allowed.

THE STATES, having noted the estimated transactions of the Trading Funds, decided to allow the said estimates as detailed in the undermentioned pages of the Budget as follows –

TRADING FUNDS

Harbours – Page 55

Airport – Page 58

Telecommunications Board – Page 61

Committee for Postal Administration – Page 64

THE STATES considered the estimates of income to be produced from taxation appearing on page 2 of the Budget and agreed the estimate as follows –

	£	£
Impôts on spirits	4,239,000	
Impôts on wines	3,536,000	

Impôts on cider	272,000	
Impôts on beer	3,032,000	
Impôts on tobacco	12,470,000	
Impôts on motor fuel	11,101,000	
Goods imported into the Island	<u>100,000</u>	34,750,000
Income tax		297,800,000

THE STATES commenced consideration of the draft Finance (Jersey) Law 199 and adopted the Preamble and Parts I, II and III.

Part IV was adopted, the States having rejected an amendment of Deputy Alan Breckon of St. Saviour that for Part IV there should be substituted the following Part—

“PART IV

**Amendment of Income Tax Law in respect of
personal allowances and reliefs**

ARTICLE 5

(1) In paragraph (1) of Article 92 of the Income Tax (Jersey) Law 1961, as amended (hereafter in this Part referred to as “the principal Law”) for the words “three thousand four hundred pounds” there shall be substituted the words “three thousand five hundred and forty-five pounds”.

(2) In Article 92A of the principal Law –

- (a) in paragraph (1), and in the first, second, third and fourth provisos to paragraph (1), for the words “ten thousand four hundred and twenty-five pounds” and “sixteen thousand seven hundred and fifty pounds” there shall be substituted the words “ten thousand eight hundred and seventy-five pounds” and “seventeen thousand four hundred and seventy pounds” respectively;
- (b) in the first proviso to paragraph (1) for the words “two thousand three hundred pounds or four thousand six hundred pounds” in each place where they occur there shall be substituted the words “two thousand four hundred pounds or four thousand eight hundred pounds”;
- (c) in the fourth proviso to paragraph (1) for the words “one thousand two hundred pounds” and “two thousand four hundred pounds” there shall be substituted the words “one thousand two hundred and fifty pounds” and “two thousand five hundred pounds” respectively; and
- (d) in paragraph (2) for the words “three-tenths” there shall be substituted the words “twenty-eight per cent”.

(3) In Article 94 of the principal Law –

- (a) in paragraph (1) for the words “five thousand two hundred pounds” and “two thousand six hundred pounds” there shall be substituted the words “five thousand four hundred and twenty-

five pounds” and “two thousand seven hundred and ten pounds” respectively; and

(b) in paragraph (2) for the words “four thousand one hundred pounds” there shall be substituted the words “four thousand two hundred and seventy-five pounds”.

(4) In Article 95 of the principal Law –

(a) in paragraph (1) –

(i) in sub-paragraph (a), for the words “two thousand three hundred pounds” there shall be substituted the words “two thousand four hundred pounds”; and

(ii) in sub-paragraph (b), for the words “four thousand six hundred pounds” there shall be substituted the words “four thousand eight hundred pounds”; and

(b) in paragraph (3), for the words “two thousand three hundred pounds” there shall be substituted the words “two thousand four hundred pounds”.

(5) In paragraph (1) of Article 98A of the principal Law for the words “four thousand one hundred pounds” there shall be substituted the words “four thousand two hundred and seventy-five pounds”.

ARTICLE 6

This Part of this Law shall have effect for the year nineteen hundred and ninety-eight and ensuing years.”.

Members present voted on the amendment as follows –

“Pour” (8)

Senator

Shenton.

Connétables

St. Mary, St. Martin, St. Clement.

Deputies

Breckon(S), Huet(H), St. Martin, Rabet(H).

“Contre” (26)

Senators

Horsfall, Rothwell, Le Maistre, Stein, Quérée, Syvret, Norman, Walker.

Connétables

St. Brelade, St. John.

Deputies

H. Baudains(C), Le Sueur(H), Coutanche(L), St. Mary, Trinity, Pullin(S), Johns(H), Routier(H), Dorey (H), Layzell(B), St. John, Vibert(B), de la Haye(B), St. Peter, Dubras(L), St. Ouen.

Parts V, VI, VII, VIII, IX, X, First Schedule and Second Schedule were adopted.

THE STATES adopted in second reading a Bill to continue certain expiring fiscal Laws; to prescribe the standard rate of income tax for the year nineteen hundred and ninety-nine; to amend further the law relating to income tax with regard to the deduction on account of social security contributions, and in respect of reduction of tax on small incomes and in relation to annuity contracts; and to amend the Laws relating to wines and spirits duty, beer duty, tobacco duty and oils and spirits duty.

The said Bill was lodged "au Greffe" in second reading.

THE STATES, in pursuance of Article 25 of the Public Finances (Administration) (Jersey) Law 1967, as amended, have declared that the Bill to continue certain expiring fiscal Laws; to prescribe the standard rate of income tax for the year nineteen hundred and ninety-nine; to amend further the law relating to income tax with regard to the deduction on account of social security contributions, and in respect of reduction of tax on small incomes and in relation to annuity contracts; and to amend the Laws relating to wines and spirits duty, beer duty, tobacco duty and oils and spirits duty (which Bill has this day been lodged "au Greffe") shall immediately have effect as if it were a Law passed by the States and sanctioned by Her Majesty in Council.

THE STATES, having terminated the discussion on the Budget, agreed the summary of the estimated income and revenue expenditure for 1999 appearing on page 69 of the Budget as follows –

NCOME	£	£	£
Income Tax			297,800,000
Impôts			34,750,000
Investment Income			8,000,000
			<u>340,550,000</u>
ESS			
Non-trading Committees			
Revenue expenditure	340,807,200		
Capital Servicing	<u>46,000,000</u>		
		386,807,200	
Authorised Revenue Expenditure			
Revenue Income	62,615,000		
Interest on advances from Capital Fund	<u>923,400</u>		
		63,538,400	
		<u>323,268,800</u>	
Financial Services Commission Return		<u>3,000,000</u>	
			<u>320,268,800</u>
			20,281,200
Trading Committees			
Expenditure		69,710,700	
Income		<u>89,041,000</u>	
		19,330,400	
Estimated transfer to Trading Funds		<u>17,307,900</u>	
			<u>2,022,500</u>

	22,303,700
ADD	
Estimated surplus brought forward at 1st January 1999	6,107,400
	<u>28,411,100</u>
Appropriation to Reserves:	
Net Appropriation to the General Reserve	(24,000,000)
Balance to be transferred to Capital Fund	<u>£4,411,100</u>

THE STATES further agreed the estimated transactions of the capital fund for 1999 as follows –

vised estimate of balance in hand at 1st January 1999	43,794,200
nsfer to Strategic Reserve	(3,000,000)
pital repayments and receipts	59,547,400
imated balance on revenue account (above)	4,411,100
	<u>104,752,700</u>
pital Expenditure as ommended the Finance and Economics mmittee (see pages 66 and 67)	85,018,000
ss: Projects funded by Loan ctions	(35,000,000)
	50,018,000
Plus: Loan sanction ayments	5,000,000
	<u>55,018,000</u>
Estimated balance in hand	
31st December 1999	<u>49,734,700</u>

Income Tax (Amendment No. 19) (Jersey) Law 199– P.232/98

THE STATES, subject to the sanction of Her Most Excellent Majesty in Council, adopted a Law entitled the Income Tax (Amendment No. 19) (Jersey) Law 199 .

THE STATES, in pursuance of Article 25 of the Public Finances (Administration) (Jersey) Law 1967, as amended, have declared that the Bill to amend further the law relating to income tax with regard to surcharge for late payment of tax, appeals against an assessment of tax, child care tax relief, instalment payment relief and taxation of profits of life assurance companies with a head office outside Jersey (which Bill was this day passed by the States as the Income Tax (Amendment No. 19) (Jersey) Law 199) shall immediately have effect as if i were a Law passed by the States and sanctioned by Her Majesty in Council.

Income Tax (Amendment No. 20) (Jersey) Law 199– P.233/98

THE STATES, subject to the sanction of Her Most Excellent Majesty in Council, adopted a Law entitled the Income Tax (Amendment No. 20) (Jersey) Law 199 .

OECD and EU proposals on harmful tax competition – statement

The President of the Policy and Resources Committee, made a statement in the following terms –

“Much of what has appeared in the media about the impact on the Island of the OECD and EU proposals on harmful tax competition is inaccurate, and I should like to take this opportunity of putting the record

straight.

In a document presented on 17th November 1998 to the European Union Tax Code of Conduct Group, which is chaired by the United Kingdom Financial Secretary to the Treasury, the United Kingdom Government tabled the following statement on the Island's constitutional relationship with the United Kingdom –

‘The United Kingdom Government is responsible for the defence and international relations of Jersey, and the Crown is ultimately responsible for its good government. However, the people of Jersey cannot vote in elections for the United Kingdom Parliament and it would be unprecedented for the United Kingdom to legislate for Jersey on taxation and other domestic matters without the agreement of the Jersey Authorities. Legislation on taxation matters has always taken the form of laws enacted by the Island legislature.’

This statement sets out the constitutional framework which the Insular Authorities had very much in mind when, at their request, Her Majesty’s Government pressed successfully for the inclusion in the EU Tax Code of Conduct, and the Annex attached to the EU draft directive on the taxation of savings, of the phrase ‘within the framework of their constitutional arrangements’ when reference is made to the possible application to the dependent territories of Member States of the principles incorporated in the Code.

In the view of the Policy and Resources Committee the constitutional position of the Island and its autonomy in matters of taxation is firmly in place and is unaffected by the OECD or EU proposals.

The Insular Authorities in responding to any requests for information on so-called harmful tax measures will have regard for the position being adopted by other non-EU countries. In the view of the Committee there must be a level playing field and, as the United Kingdom Government has done in its recent response to EU tax harmonisation, it must be made clear that no action will be taken by the Insular Authorities that would damage the Island’s economy and simply encourage the transfer of business to less well regulated centres.

The Committee is of the view that the position in respect of the EU remains as described by the Hon. Geoffrey Rippon M.P. in November 1971 when he spoke in this Chamber about the outcome of the negotiations for the entry of the United Kingdom into the European Community, and stated –

‘Under the proposals your fiscal autonomy has been guaranteed – I say that deliberately and slowly. There is no doubt whatever about that and I can say quite categorically that there will be no question of your having to apply a value added tax or any part of Community policy on taxation’.

The Insular Authorities have made strong representations to the OECD in response to their decision to draw up a provisional list of tax havens which included the Island. The OECD are currently engaged in evaluating the Island’s submission and it has been indicated to the Insular Authorities that they will have an opportunity to make further representations in due course.

The Insular Authorities are convinced that they can satisfy the OECD that the key factors used to identify a tax haven, as set out in their Report on Harmful Tax Competition, do not apply to Jersey for the following reasons –

- (a) Jersey does not generally impose no or only nominal taxation. The standard rate of tax of 20 per cent has remained unchanged since 1940 and provides 90 per cent of the Island's tax revenues;
- (b) the Island does not have a bank secrecy law. The Island also has legislation already enacted or in immediate prospect that is more extensive than the legislation of many OECD member countries in providing for the effective exchange of information on those engaged in crime;

- (c) there is no lack of transparency in the operation of the Island's legislative, legal or administrative provisions. This statement has been reinforced by the Edwards review of financial regulation in the Island;
- (d) the major part of the business activities in the Island are of a substantial nature.

The Committee is of the view that Jersey can be equated to Switzerland and Luxembourg neither of whom are on the provisional list of tax havens and both of whom abstained from adopting the OECD report on the grounds that by limiting itself to financial activities the report adopts a partial and unbalanced approach.

The Insular Authorities recognise that there has been a change in the international climate towards an increased determination to tackle 'harmful' tax competition, and that in due course the Island in common with the world at large will be called upon to respond to this change of climate. However, before so responding the Insular Authorities will require proper and full regard to be had for a level playing field internationally with no differences in interpretation from one country to another. At all times they will act to safeguard the economic well being of Island residents, recognising the damage that could be caused to the Island's economy if there is inconsistency in the action taken by all countries and in particular by the Island's main competitors in the provision of financial services.

I will keep the House informed as these important matters develop.”

Ajournment

THE STATES then adjourned having agreed to defer consideration of the proposition regarding Electoral law reform (P.207/98 – lodged “au Greffe” on 6th October 1998).

THE STATES rose at 5.25 p.m.

C.M. NEWCOMBE

Deputy Greffier of the States.