

20.10.06

5 Deputy R.J. Ward of the Minister for Treasury and Resources regarding the tax liability of High Value residents (OQ.256/2020)

When will the next review of the tax liability for High Value Residents be undertaken; and what plans, if any, are there to consult with the wider population of Jersey regarding any changes to that liability?

Deputy S.W. Pinel of St. Clement (The Minister for Treasury and Resources):

Following the review of the 2011 tax regime element of the High Value Resident Scheme in 2016 the States Assembly agreed a new version of the regime which took effect from 2018. A number of changes of provisions of Article 135A of the Income Tax (Jersey) Law 1961 were made in the 2018 Budget and Finance Law. The new regime included the new minimum tax contribution of £145,000 annually. Subparagraphs (12A)(a) and (12A)(b) oblige me no later than 1st January 2023, and every 5 years thereafter, to consider whether the prescribed limits and rates of the latest version of the scheme are appropriate. Under the 2018 changes no increase may exceed the percentage increase in the retail price index in the same period. In the light of this I do not believe that it would be necessary or appropriate to subject the next review of the current regime to very wide consultation; although we will obviously consult key stakeholders including States Members.

3.5.1 Deputy R.J. Ward:

Would it not be a good idea for the Minister to undertake an overall cost benefit analysis of the whole scheme before the next review?

Deputy S.W. Pinel:

Well, as I said in my opening remarks, in the next review in 2023 there will be wide consultation in advance of that.

3.5.2 Deputy K.F. Morel:

Does the Minister agree that one of the fundamental tenets of economics is supply and demand and, given that it is widely reported that High Value individuals and families around the world are looking for safe, small islands to live in, that it is time that the Island responds to this increase in demand by raising the price of High Value Residents coming to live in Jersey?

Deputy S.W. Pinel:

The last review told us that Jersey's regime remains internationally competitive while expecting individuals to contribute more than they would do so in a number of key competitive jurisdictions. It must be remembered that besides annual tax contribution High Value Residents contribute other monies to the Government, including stamp duty, and many of them are likely contributors to charities, local employment and services.

3.5.3 Deputy K.F. Morel:

I also contribute a lot more than just my taxes but I do not get preferential rates. But would the Minister agree that the previous review being certainly before COVID-19 is now out of date and, as such, the world has changed a great deal and it is time for a new review to take place?

Deputy S.W. Pinel:

As I again said in my opening remarks, these reviews take place every 5 years. I agree with the Deputy that obviously the world has changed in the last 6 or 7 months but one cannot have a review every time there is a change in the global economy. So it will stay at every 5 years but obviously we will start in advance with consultation.

3.5.4 Deputy G.P. Southern:

Given the Minister's commitment and indeed this Assembly's commitment to reducing income inequality, does she not think that an earlier review of the conditions for High Value Residents should take place before 2023?

Deputy S.W. Pinel:

I think that is the same question as I have just answered. The reviews are planned for every 5 years, as I have already said, and I do not think there is necessarily going to be one before 2023.

3.5.5 Deputy G.P. Southern:

But given the Minister's commitment to reducing income inequality does she not think that 2023 might be rather a long way away and that she should do the review beforehand?

Deputy S.W. Pinel:

No, at this stage I do not.

3.5.6 The Deputy of St. Mary:

From the figures kindly provided to me by the Minister some 2 weeks ago it appears that the 1 per cent rate charged over and above the minimum for this category of persons produced a total of £1.65 million in the year 2018 which, based on the number of people so contributing represents an average of only £10,000 a year. Given the element of divisiveness which this 2-tier system produces in the eyes of some residents does she not agree that it would be sensible to reconsider whether this 1 per cent rate should continue to be applied, possibly at the expense of increasing the minimum rate for this category?

Deputy S.W. Pinel:

Yes, I do. It is quite a difficult one because the tax regime has been reviewed several times since it was first introduced after 2005 for high value residents and the 1 per cent rate was introduced, and it is virtually impossible by law to change retrospective tax regimes. So I agree with the Deputy that to keep with a lower rate of 1 per cent is probably not the way forward, which will obviously be discussed with the 2023 review. But at the moment one cannot by law change a retrospective tax regime.

3.5.7 Deputy J.H. Perchard of St. Saviour:

In one of the Minister's earlier answers she referred to charitable contributions made by High Net Worth Residents, which would come under the legal term written in the law as a social benefit category of their contribution; but we do not measure or define social benefit. Does the Minister think that it would be better for us not to rely on the assumption of social benefits coming from high net worth and instead simply up the tax rate?

Deputy S.W. Pinel:

I am not quite sure I understood that. Did the Deputy mean put the tax rate up for H.V.R.s (high value residents) or across the board? Everybody makes charitable donations.

Deputy J.H. Perchard:

Sorry, I will rephrase. An argument that we have heard repeatedly from previous Governments about not changing the tax rate for H.V.R.s has been the fact that they contribute in a social benefit capacity, but given that we do not define social benefit or measure it should we not get rid of that in law and simply focus on the tax side of it and put the rate up instead of relying upon the idea that they might contribute to charity?

Deputy S.W. Pinel:

Thank you to the Deputy for rephrasing the question. We could look at the definition of social benefit again, of course we could, but I think it is broader than just contributing to charities; it is the services, the people that are employed on top of all the benefits to charities. So it is not just a complete contribution into the economy which H.V.R.s pay, and I do not think that you could pick one benefit out of another.

3.5.8 Deputy R.J. Ward:

May I thank other Members for their really insightful questioning there. May I ask the Minister finally, are some prospective High Value Residents being encouraged to apply for status to come here and work for an already established business rather than getting businesses to apply for an employment licence so that they would pay the full rate of tax?

Deputy S.W. Pinel:

I cannot answer the question directly because I do not have the information on what each High Value Resident does with their business, whether they have businesses to run here, how many people they employ; so it is a very broad question. Out of the 177 high value residents it is very difficult to give a definitive answer to that.