

### **3.6 Deputy G.P. Southern of St. Helier of the Minister for Treasury and Resources regarding progress on the package of tax measures in the fiscal strategy:**

Will the Minister inform members what progress, if any, has been made towards finalizing the package of tax measures that constitute the fiscal strategy and, if not, when progress will be made?

#### **Senator T.A. Le Sueur (The Minister for Treasury and Resources):**

Within the fiscal strategy there are specifically 3 tax measures aimed at raising between them up to £60 million a year to help fill the deficit caused by the move to Zero/10. In addition, we were charged with developing a policy in respect of the environmental taxes and working with Employment and Social Security to develop an income support system. Finally, we were charged with producing detailed proposals to see how the tax foregone on company revenues could be apportioned to individual shareholders through some form of look-through process. Work is now underway in all these areas with an agreed timetable and I will now comment on various key aspects. The first tax-raising measure was the Income Tax Instalment System (ITIS). I am pleased to say that that is now up and running and, despite a few initial teething problems, that seems to be running well. Second strand was the introduction of proposals to ensure that those with higher incomes contribute a greater proportion of their income towards the overall tax burden. Those proposals were withdrawn from the last budget for economic and social reasons and that has given me the chance to review and update the proposals in the light of more recent statistics. I hope to present updated proposals on 20 per cent means 20 per cent for consideration within the next 6 weeks. The third agreed tax-raising measure was that of a broad-based goods and services tax (GST) and I am pleased to announce that a paper on a draft law for its implementation has been issued today for consultation over the next 12 weeks. Finally, I am pleased to announce that proposals for the implementation for the Zero/10 tax model, including the look-through provisions, are now being finalised and a detailed consultation paper on that should be available next month.

#### **3.6.1 Deputy G.P. Southern:**

Would it not be true to say that the look-through proposals have been abandoned for the following reasons, and I would like the Minister to comment on these three reasons; (1) that they require substantial policing and anti-avoidance legislation; (2) that they are very vulnerable to challenge under both company law and human rights law; and (3) that such provisions would not comply with the *E.U. (European Union) Code of Conduct On Business Taxation*. Is it not true that his original proposals should be and have been abandoned?

#### **Senator T.A. Le Sueur:**

No, Sir, they certainly have not been abandoned and the principle remains totally intact. What we are doing is revising them and refining them in the light of further discussions - further consideration - and those proposals will be available to Members for discussion in the near future. As far as anti-avoidance legislation is concerned, that is potentially quite a large issue. We have tried to ensure that the proposals that we are going to bring forward will minimise the impact of anti-avoidance legislation and it is clear that some additional legislation in that area will be necessary. I am absolutely convinced that our proposals will indeed be E.U. compliant, as the written answer previously indicated, and all the indications I have from sources elsewhere on

an informal basis confirm that they are indeed E.U. compliant. So I have no hesitation, no worries on this score whatsoever.

**3.6.2 Deputy G.P. Southern:**

Despite the assurances from all sources, I understand that the Minister has read the PricewaterhouseCoopers report recently submitted to Guernsey, which suggests, and the words I chose were that: "It is doubtful that such provisions would comply with the *E.U. Code of Conduct on Business Taxation*." On business taxation and on human rights and company law challenges, is it not true that the method he was proposing - of attribution - risks being challenged seriously on those 2 grounds?

**Senator T.A. Le Sueur:**

As I have already indicated, the original method of attribution has been modified slightly - more than slightly - and when the proposals are published the Deputy will then be able to assess whether our new proposals still raise the concerns he mentions now. But until that stage I think it is premature for him to comment on proposals that have not yet been published.

**3.6.3 Deputy G.P. Southern:**

Is it not true that the major reassessment of look-through amounts to moving from an attribution system to a distribution-only system, and that entails a substantial loss of revenue to the tax collection; is that true?

**Senator T.A. Le Sueur:**

No, Sir.