

22.03.01

2 Senator S.Y. Mézec of the Chief Minister regarding tax contributions (OQ.45/2022)

Will the Deputy Chief Minister consider a significant rise in the minimum tax contribution which must be paid by those who apply for residency status under regulation 2(1)(e) of the Control of Housing and Work (Jersey) Regulations 2013; and, if not, why not?

Senator L.J. Farnham (Deputy Chief Minister - rapporteur):

The short answer to that is yes, reviews have already been commissioned into the scheme to further enhance the benefits to Islanders, including the financial benefits from tax receipts and this, of course, will consider the tax contribution by 2(1)(e)s, so that is work that is currently underway.

3.2.1 Senator S.Y. Mézec:

Given that the governing party and at least one of the opposition parties is in support of this policy, and their appears to be a growing political consensus that it is the right thing to do, will the Deputy Chief Minister undertake to do this as soon as possible, i.e. as close to now as possible, given that these reviews have been undertaken and it seems to be that that is the direction we are going in anyway?

Senator L.J. Farnham:

Yes, we will do it as soon as practicable. The work is underway. We want to make sure we understand all of the facts and the implications of tax increases to this small part of our community. We will endeavour to make the change to policy prior to the election in this Government but I cannot give that guarantee at this stage, but it is certainly our ambition to do that.

3.2.2 Deputy G.P. Southern:

Would the Assistant Minister inform me when it was that I first suggested to him and his colleagues they should examine and increase the contribution for 2(1)(e) applicants to the Island? Was it 5 years, 6 years or 10 years?

Senator L.J. Farnham:

The Deputy is always making so many good suggestions to me I have sort of lost track. It could have been all of the above.

The Bailiff:

Supplemental, Deputy. Although you are supposed to elicit information you do not know the answer to.

Senator L.J. Farnham:

I am afraid I do not know the answer to it either.

3.2.3 Deputy G.P. Southern:

I genuinely cannot remember whether it has been 10 years. I hope so because that would make it double figures to get through to this regime, which has steadfastly refused to examine a possibility of taxing those who are best off in our society at a proper rate.

Senator L.J. Farnham:

Not a question but an allegation I will respond to. This Government has not steadfastly refused to examine it. We have been keeping, as Members of the Government and the Housing and Work

Advisory Group will know, and Senator Mézec was a member of that group for 3 years when he was Minister for Housing, we keep policy under constant review. As I said in the answer to the original question, it is a work in progress. It is something we are keen to act upon sooner rather than later.

[10:00]

3.2.4 Deputy R.J. Ward:

Can the Minister also commit to reviewing the somewhat varied deals that have developed over the years for our 2(1)(e) residents because it has been clear from previous questions that not all 2(1)(e) residents are on the same tax regime. That equalisation or fairness of a regime surely is something that the Minister would promote.

Senator L.J. Farnham:

That is a straightforward question but not a straightforward answer. We have been granting entitled status to Islanders for many decades previously under the 1(1)(k) scheme and before that I am afraid I cannot remember how it was done. But of course when we do bring in new policy it is very difficult to make that retrospective. So when we do bring in new policy it is likely to apply from that day to new entrants to our Island rather than making it retrospective.

3.2.5 Deputy R.J. Ward:

I would like to ask the Minister how he would respond to nurses, care workers, teachers, civil servants, those working in services who might say to him: "Actually you are changing my tax regime, I think I will stay on the old one"? Is that going to be an option for those majority of working people paying tax on this Island or is it one deal for one and one deal for the rest?

Senator L.J. Farnham:

I do not think this Assembly, that I can remember, partakes in introducing new legislation and makes it retrospective tax rates - in fact I am trying to think of an example - but our 20 per cent tax rate has stayed the same for as far as I can remember. If we were to change the 20 per cent tax rate I am sure that would apply to all sections of the community and 2(1)(e)s, but the rules around 2(1)(e)s are based upon that 20 per cent rate.

3.2.6 Deputy D. Johnson of St. Mary:

When the Minister considers the review into a possible increase in the contribution will he also extend that review into exploring the present mechanisms by which 1(1)(e)s are able to buy other properties and develop them, which it is alleged, to skew the market?

Senator L.J. Farnham:

Yes, I can confirm that is all part of the review we are carrying out. As well as tax increases or changes to the tax contribution, it is also looking at how we could perhaps formalise a little more how 2(1)(e)s invest in the local community, philanthropic efforts, and get a far better understanding given the current circumstances of how this is impacting upon the housing market.

3.2.7 Senator S.C. Ferguson:

Is the tax arrangement for 2(1)(e)s not in the nature of a contract and therefore under different rules to normal taxation for the general public?

Senator L.J. Farnham:

I would probably have to seek advice on that. My understanding is that it would not be a contract as such. Again, I would have to take advice, and I will do that and respond to the Senator.

3.2.8 Senator S.C. Ferguson:

It is my understanding that the 2(1)(e)s do regard it in the light of being a contract arranged with them at the time of them coming to the Island so perhaps he ought to look at it rather more closely than this casual: "Oh well, they are the usual tax arrangements." Does the Minister not agree with me?

Senator L.J. Farnham:

I think one might use the description of a contract but nevertheless tax arrangements for individuals are exactly that. They are arrangements. I would require the Attorney General or the Solicitor General to perhaps comment whether they would be a contract or an arrangement. I am afraid I could not say.

The Bailiff:

I am afraid there is no facility for law officers to intervene in question time.

3.2.9 Deputy M.R. Higgins of St. Helier:

Just following up on something that the Senator said. He mentioned that the 2(1)(e)s are expected to make contributions to the Island in other ways other than tax through charitable donations and so on. Will he tell us how that is actually measured because I believe some are very generous and some are very ... I am not sure of the term is parsimonious, but very reluctant to part with their money.

Senator L.J. Farnham:

We do not keep an official register or measurement of the very generous contributions from members of the community. Not just the high-net-worth community but we know we live in a generous community and we are starting to see that spirit now emerge with the current crisis. The short answer is no but we all do know, and the Deputy knows as well from his work with the air display, that we all benefit from the generosity of 2(1)(e)s but we do not keep an official measurement of who gives what and when.

3.2.10 Deputy M.R. Higgins:

In that case, would the Minister not accept then that to use the argument that they are very generous to charities should not be used as an argument in their favour because we just do not know whether they are nor not?

Senator L.J. Farnham:

We do know that they are because there is anecdotal evidence that they give considerable amounts. I am aware of a number of significant philanthropic donations to the Island, which it would not be right to give details in public because many of them would like their privacy and make these donations anonymously. We do know the community receives significant benefits but we are not able to publish the full detail of that. Quite rightly, I think at this stage.

3.2.11 Senator S.Y. Mézec:

The Deputy Chief Minister in one of his answers referenced my role on the Housing and Work Advisory Group for a few years. Could the Deputy Chief Minister, who is chair of that group, confirm whether or not the minutes from the meetings of that group confirm that I opposed every single application for 2(1)(e) status during my time on that committee on the basis that their minimum tax contribution was not enough, and would he further indicate when the minutes from that committee indicate that its members concluded that I was right all along and what dates they want to see this policy change?

Senator L.J. Farnham:

I remember well the Senator, more on a point of principle, objected to every single 2(1)(e) application without consideration whatsoever. But I respect his decisions. He made that on a point of principle. I am afraid I cannot recall all the minutes to hand. I am sure they reflect accurately the actions and words of our meetings. I am afraid I forgot the last part of the question.

Senator S.Y. Mézec:

By what date the Housing and Work Advisory group, or whichever body is responsible for this, would want to see this policy enacted. He said that he hopes it is before the election but why can he not be clearer about that time commitment and put a date on it?

Senator L.J. Farnham:

I cannot be clear about the exact time because of the nature of the reviews that are currently undertaken but I can confirm every current member of the Housing and Work Advisory Group are keen to see this progressed.

The Bailiff:

We come now to question 4 that Deputy Southern will ask ...

Deputy J.A. Martin of St. Helier:

Sir, can I have a ruling on this question before he asks it?

The Bailiff:

The question is finished, Deputy Martin.

Deputy J.A. Martin:

No, not that question. The question that is coming up.

The Bailiff:

The question that is coming up; is it a point of order?

Deputy J.A. Martin:

I think it is, Sir. So last Monday Deputy Southern put in a written question to all my officers asking to gather some evidence and figures over 10 years. On Thursday he put in an oral question saying: "In light of the figures revealed in the response to the Written Question 75", blah blah. I only signed that question off yesterday after all those figures were gathered together. Either the Deputy has got a crystal ball or he knew the answer and is wasting my officers' time. Can I have a ruling please?

The Bailiff:

I do not think that is a matter from which the Chair can properly rule. I understand the point that you are making of course but it is perfectly reasonable I think for a Member to put an oral question

in on the assumption that figures will be provided and ask for a comment from the relevant Minister on those figures, even if they do not know what the figures are when they come through. It does not seem to me that the Deputy's question is necessarily any more significant other than asking for a comment on whether those figures have delivered the strategic aim.