

2018.07.10

3.15 Deputy M.R. Higgins of the Chief Minister regarding the decision to allow High Value Residents to purchase and develop properties: [OQ. 104/2018]

Will the Chief Minister advise Members, what evidence was used to justify the Ministerial Decision to relax the policy and the Control of Housing and Work legislation to enable high-value residents, i.e. those with entitled status under Regulation 2(1)(e), to purchase and develop properties in the Island?

The Connétable of St. John (Assistant Chief Minister - rapporteur):

We want people to come to Jersey and to invest in Jersey, this is why high-net worth individuals have come and this is what they would like to do. This is why the last Government made the change that enabled them to acquire unoccupied and unsold properties to support the supply chain and to help the local population. As a new Assistant Minister, I am perfectly content to discuss this issue with other Members and take the matter further, should you wish to do so.

3.15.1 Deputy M.R. Higgins:

The Assistant Minister did not really answer the question. I was asking about what evidence, what consultation? There was no consultation. I think the question I am going to ask now is: will high-net worth individuals pay a fixed rate of tax, £145,000 a year and one per cent of their income? Yet, if any other person bought properties and developed them, they would have to pay tax on their rental income, if they did rent them out. High-net worth clients do not. Where is the economic benefit from high-net worth clients?

The Connétable of St. John:

Much of the investment is made through local companies, that they set up to use as a vehicle to develop these properties and, therefore, those companies will pay the tax at the full 20 per cent.

[11:00]

We, at the moment, have a severe housing shortage and, therefore, this is a way in which additional housing can be created and by using the investment money available from the high-net worth individuals, hopefully, we will get more housing available for locals as homes.

3.15.2 Senator S.C. Ferguson:

Given the problems generated in Sark with such a policy, is pursuing such a policy in Jersey entirely sensible? The Assistant Minister mentions housing, but how can you be sure that it is going to be housing for locals and not luxury housing? I really question, as Deputy Higgins does, the evidence for bringing such a policy in being entirely sensible for the Island.

The Deputy Bailiff:

What is the question, Senator?

Senator S.C. Ferguson:

I am sorry, I did ask. Is pursuing such a policy entirely sensible?

The Deputy Bailiff:

You said: "I do question whether pursuing such a policy is entirely sensible", which is a statement, rather than a question, if that is the question.

Senator S.C. Ferguson:

It kind of wandered round a bit. I am sorry, I apologise.

The Deputy Bailiff:

No, no, it is perfectly all right, but now we understand the question.

Senator S.C. Ferguson:

But does the Assistant Minister not agree that, without proper evidence, such a policy is not entirely sensible?

The Connétable of St. John:

I am glad you were as confused, as I was. At this stage, I have not had the opportunity to examine all the evidence and, as I have said earlier, I am quite happy to do so. This is a legacy that we have and we have continued it but, obviously, everything is being examined in the course of time.

3.15.3 Deputy G.P. Southern:

The point I wish to address through the Assistant Minister is that surely he said: “This is to assist with housing of ordinary people in Jersey”, when there is no limit, or no restriction, to affordable homes developed this way but they could and probably will be luxury homes and of no use to the local population. That is the case, is it not? There is no limit on development to restrict it to affordable, or even social rental homes.

The Connétable of St. John:

I understand there is no restriction, but high-net-worth income individuals have always been able to purchase property and to renovate it. This change in the law really allowed them to keep it, whereas, previously, they had to sell it after a 2-year period. As for the quality of housing they are going to build, as to whether it is for affordable homes, or whether it is for better-off local individuals. All the properties do have to then be sold to locally qualified individuals.

3.15.4 Deputy G.P. Southern:

Does the Minister not regret that such a limitation was put on these types of developments, so that we would, in fact, benefit ordinary residents on the Island?

The Connétable of St. John:

If you look, at the moment, in the local newspaper, you will see a large number of houses that are for sale and they require development; at the moment they are not being developed. I think we should examine ways of finding how these houses could be developed for the benefit of local individuals.

3.15.5 Deputy R.E. Huelin of St. Peter:

I would like to bring up the subject of trickle-down economics and enquire as to whether there has ever been a study, in the Island, of the benefits of high-net worth individuals to the Island looking at it from a trickle-down economics standpoint.

The Connétable of St. John:

Yes, I understand that study has been done, but I do not know how updated it is but, yes, that study has been done in the past.

The Deputy of St. Peter:

May we request that it is updated?

The Connétable of St. John:

Certainly.

3.15.6 Deputy K.F. Morel:

Would the Assistant Chief Minister tell us what evidence there is that high-net worth individuals are setting up companies that employ people in Jersey and bring the benefits that he claimed earlier?

The Connétable of St. John:

I am sorry, I do not have that evidence with me, but I will endeavour to get it to the Deputy.

Senator L.J. Farnham:

In an attempt to be helpful, can I just say that Locate Jersey produce figures every year ...

The Deputy Bailiff:

No, I am sorry, this is question time. I apologise, Senator, you simply cannot. The final supplementary, Deputy.

3.15.7 Deputy M.R. Higgins:

First of all, the Assistant Minister said that these individuals formed companies and paid 20 per cent tax; that is providing they draw from those companies. The vast majority of these 2(1)(e)s have got vast sums of money, do not draw from it, but when they wind up the company they will take the profit they have made with nothing going to the taxpayer, so I correct the Minister on that, first of all. In fact, it has been alleged, for example, that one 2(1)(e) resident ...

The Deputy Bailiff:

Deputy, can you please ... it is a supplemental question and you have already spent a good 30 seconds correcting something, without asking a question. I wonder if you could ask a question.

Deputy M.R. Higgins:

OK. Does the Minister accept that, as was alleged by the Planning Inspector, that those with the sums of money that the 2(1)(e)s have, get what they want when it comes to planning, to the detriment of ordinary individuals who cannot afford the consultants and the lawyers to take on planning?

The Connétable of St. John:

I think the Deputy asked 2 questions, I will, therefore, answer the first one. If you set up a local company that developed property, that company is liable for the 20 per cent tax at source. To say that that company does not pay tax and tax only gets paid when you withdraw the money is incorrect. If you have a development company, you pay tax of 20 per cent on all the profits at source, so the Deputy is misguided in his first statement.