WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY DEPUTY M. R. HIGGINS OF ST HELIER
ANSWER TO BE TABLED ON TUESDAY 9th DECEMBER 2014

Question
Will the Minister provide Members with the following information:

(a) the total number of people paying income tax in Jersey each year from 2007 to 2013;

(b) the total number of people paying tax at 20% in each year from 2007 to 2013;

(c) the number of people paying a marginal rate of tax in each year from 2007 to 2013;

(d) the total number of finance firms paying tax at 10% each year from 2007 to 2013 and the sums involved;

(e) the number of finance firms not paying the 10% tax rate;

(f) the total number of utility companies paying tax at 20% each year from 2007 to 2013 and the sums involved;

(g) the number of non-finance and utility companies paying tax each year between 2007 and 2013 and the sums involved;

(h) the estimated loss of tax receipts from the loss of deemed distribution from Jersey owned companies shareholders.

(i) an explanation of the factors causing the changes in the tax figures outlined above for the period 2007 to 2013, and estimates of future changes assuming no further change to tax rates.

Answer

(a) to (c)

(a) the total number of people paying income tax in Jersey each year from 2007 to 2013;

(b) the total number of people paying tax at 20% in each year from 2007 to 2013;

(c) the number of people paying a marginal rate of tax in each year from 2007 to 2013;

2007	**Individual Taxpayers Charged at 20% standard rate**	**Individual Taxpayers Charged at 27% marginal rate**	**Taxpayers Total**
Single	8,372	21,306	**29,678**
Married	6,577	10,854	**17,431**
Grand Total	**14,949**	**32,160**	**47,109**

2008	**Individual Taxpayers Charged at 20% standard rate**	**Individual Taxpayers Charged at 27% marginal rate**	**Taxpayers Total**
Single	5,948	24,199	**30,147**
Married	4,780	12,600	**17,380**
Grand Total	**10,728**	**36,799**	**47,527**

2009	Individual Taxpayers Charged at 20% standard rate	Individual Taxpayers Charged at 27% marginal rate	Taxpayers Total
Single	4,660	24,268	**28,928**
Married	3,954	13,127	**17,081**
Grand Total	**8,614**	**37,395**	**46,009**

2010	Individual Taxpayers Charged at 20% standard rate	Individual Taxpayers Charged at 27% marginal rate	Taxpayers Total
Single	4,096	24,856	**28,952**
Married	3,429	13,641	**17,070**
Grand Total	**7,525**	**38,497**	**46,022**

2011	Individual Taxpayers Charged at 20% standard rate	Individual Taxpayers Charged at 27% marginal rate	Taxpayers Total
Single	3,753	25,854	**29,607**
Married	3,109	13,906	**17,015**
Grand Total	**6,862**	**39,760**	**46,622**

2012	Individual Taxpayers Charged at 20% standard rate	Individual Taxpayers Charged at 27% marginal rate	Taxpayers Total
Single	3,931	24,991	**28,922**
Married	2,913	13,532	**16,445**
Grand Total	**6,844**	**38,523**	**45,367**

2013	Individual Taxpayers Charged at 20% standard rate	Individual Taxpayers Charged at 27% marginal rate	Taxpayers Total
Single	3,647	24,622	**28,269**
Married	2,819	13,691	**16,510**
Grand Total	**6,466**	**38,313**	**44,779**

Notes:

- Based on Years of Assessment
- 2006-2011 marital status based on data base as at 15/09/2014, 2012 onwards based on data base as at year of assessment.
- Statistics inclusive of all ‘personal returns’ type, excluding non residents.
- Above statistics may vary slightly from previously released statistics due to ongoing reassessment of tax returns and variables used in analysis

Individual Taxpayer

An individual taxpayer is an individual or married couple / civil partnership calculated to have a positive income tax liability for the tax year, based on the income, allowances and deductions, for that year.

For the avoidance of doubt individual taxpayers without a positive income tax liability because their income is less than their allowances and deductions are not included in the tables above.

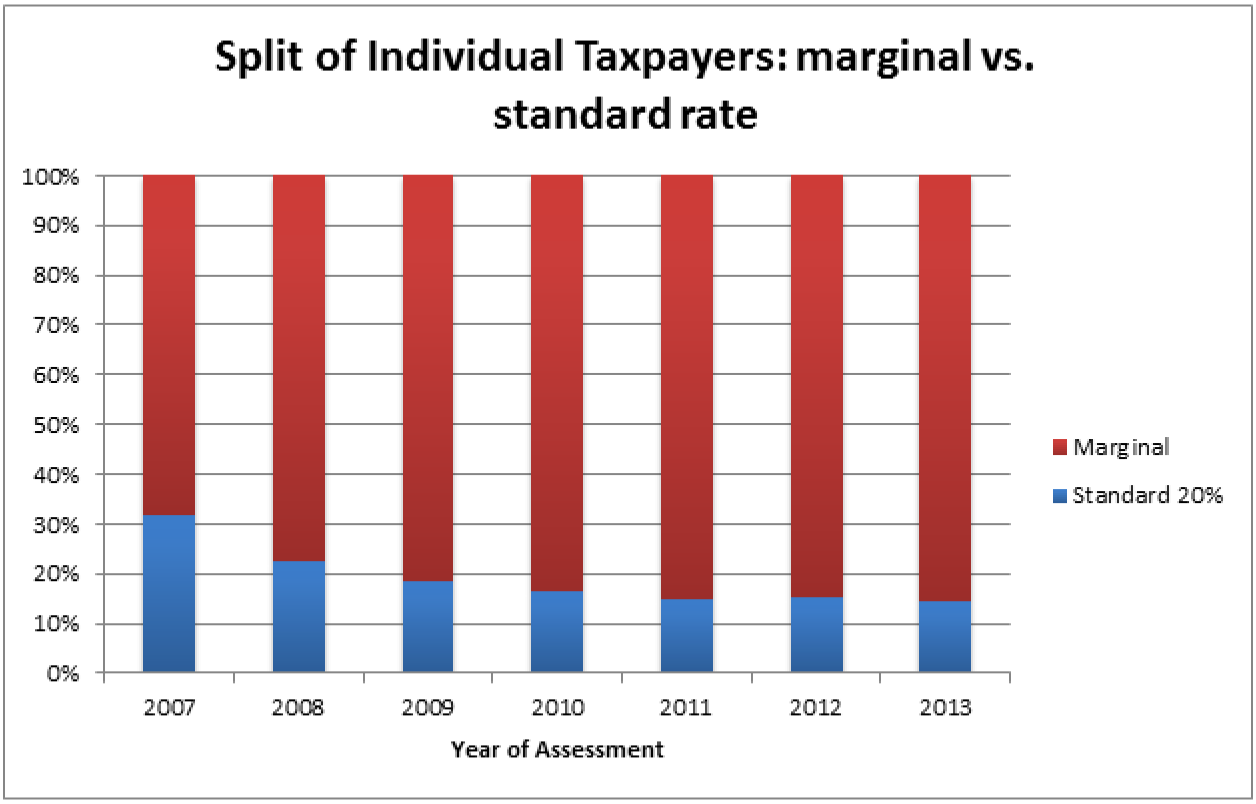
The tables include:

Single individuals

Married couples / civil partnerships (a married couple / civil partnership counts as one taxpayer as they do not have separate tax liabilities)

Married couples / civil partners that have opted for separate assessment will count as two taxpayers (as they have separate tax liabilities).

The increase in the proportion of taxpayers that pay tax at the marginal rate is primarily a function of two factors; (i) 20-means-20; and (ii) greater allowances available to marginal rate taxpayers whilst the allowances available to standard rate taxpayers have been frozen for an extended period of time. The trend in the number of taxpayers moving from standard rate to marginal rate is illustrated in the chart below:-



(d), (f), (g)

(d) the total number of finance firms paying tax at 10% each year from 2007 to 2013 and the sums involved;

(f) the total number of utility companies paying tax at 20% each year from 2007 to 2013 and the sums involved;

(g) the number of non-finance and utility companies paying tax each year between 2007 and 2013 and the sums involved;

The current corporate tax regime commenced on 3 June 2008 for companies registered after that date and from 1 January 2009 for companies registered before that date. The figures provided below therefore start from 2009 and not 2007 as requested.

Year	**2009**		**2010**		**2011**	
	Number of taxpaying companies	**Tax Payable £**	**Number of taxpaying companies**	**Tax Payable £**	**Number of taxpaying companies**	**Tax Payable £**
Financial Services Company	209	57,497,632	203	49,381,421	214	56,642,111
Utility	5	3,058,487	4	5,056,365	6	4,501,010
Other	1,480	21,290,504	1,518	22,032,992	1,479	18,271,347
Total	1,694	81,846,623	1,725	76,470,778	1,699	79,414,468

Year	**2012**		**2013**	
	Number of taxpaying companies	**Tax Payable £**	**Number of taxpaying companies**	**Tax Payable £**
Financial Services Company	201	67,135,838	223	62,067,483
Utility	5	3,460,942	6	2,835,099
Other	1,506	18,335,630	1,652	16,833,879
Total	1,712	89,932,410	1,881	81,736,461

Notes:

- A taxpaying company is defined as a company calculated to have a positive income tax liability for the tax year, based on the income, allowances and deductions, for the year.
- A financial services company is included above if it falls within the definition of a financial services company in the Income Tax Law.
- A financial services company is liable to tax at 10%. If, however, it is in receipt of income from Jersey property this source of income will be taxed at 20%. The tax payable figure shown is the tax from all sources.

- A utility company is also defined within the Income Tax Law and is liable to tax on all sources of income at 20%.
- Other companies will be companies that are not financial services companies or utility companies but that still pay tax on at least part of their profits. These will include companies that derive income from Jersey property (rental, development or quarrying) and companies involved in the importation and supply of hydrocarbon oil. The profits from all these sources are liable to Jersey tax at 20%.
- Tax payable is defined as the amount the taxpayer is due to pay to the Treasury.

(e) the number of finance firms not paying the 10% tax rate;

The Income Tax Law is very specific in its definition of a financial services company and the “Financial Services Companies” in the tables above only include (taxpaying) companies that come under that definition. There are a number of other companies that fall within the tax definition of financial services companies that do not make profits and do not therefore pay tax. Typically (but not exclusively) these are nominee or secretarial type companies within the trust industry. In 2013 there were 691 of these companies. If it is meant that the term “finance firms” in the question includes other companies whose activities could be considered to be within the broader spectrum of the finance sector and not limited by the Income Tax Law definition, whilst it is not easy from tax records to be specific, an estimate of the number of these additional firms is somewhere between 300 and 350.

For the purposes of this answer a finance sector firm will have been identified as being involved in at least one of the following industries:-

- Banking
- Treasury Wholesale
- Corporate Offshore
- Trust
- Fund Administration
- Investment Advisor
- Fund Manager
- Insurance/Finance Investment Services

(h) the estimated loss of tax receipts from the loss of deemed distribution from Jersey owned companies shareholders

Before answering this question it is worthwhile reminding all members how the deemed distribution and full attribution rules operated. Broadly where a Jersey resident shareholder owned shares in a Jersey company, the profits of the company could be deemed to be distributed to the shareholder and taxed on them personally. However the rules were complicated and the amount deemed was impacted by factors such as the activities of the company and whether the company paid actual dividends to an individual within a certain timeframe.

Because of the way in which deemed dividends/full attribution profits were declared on personal tax returns we can identify how much tax was declared under these provisions whilst they were in operation.

Based on an analysis of data extracted from tax records at March 2014 the **direct** tax impact from the repeal of deemed distribution (which in this answer includes the loss of attribution from investment holding companies) for the 2012 year of assessment is a reduction of revenue of approximately £8m. The 2013 year of assessment direct impact will be approximately £3m, meaning that the estimated direct long term tax “loss” (see qualification below) will be in the region of £11m.

It cannot be stated that this amount of tax will be “lost”. Taxable profits arising in companies are taxable when they are distributed to Jersey resident shareholders. The distribution rules introduced with effect from 1 January 2013 seek to prevent taxpayers avoiding or inappropriately deferring this tax by taking value from their companies in a way which may have been non-taxable before the districution rules were introduced.

It is acknowledged however, that where distributions are deferred such that they take place when the individual recipient is not taxable in Jersey, no Jersey tax will arise on this distribution.

(i) an explanation of the factors causing the changes in the tax figures outlined above for the period 2007 to 2013, and estimates of future changes assuming no further change to tax rates.

Factors affecting the changes in the number of taxpayers paying tax at the standard and marginal rates are dealt with above.

Other factors that may have had an effect on tax figures are:

Local economic environment, including:

- Inflation
- Earnings
- Employment
- Population
- Age Profile
- Exceptionally low interest rates
- GVA

Global Economic Environment, including:
- Impact of Global economic downturn and subsequent recovery.
- Impact of banking sector changes

Looking ahead the Minister would reiterate his answer to Deputy Southern’s question which was tabled on 25 November 2014 as follows:-

The Treasury are in the process of updating the States income forecasts to ensure that work beginning on the new MTFP 2016-2019 and Strategic Plan are as up to date as possible. This work is being informed by new economic assumptions to 2019 provided by the States Economics Unit which take account of the latest information on the global economic outlook, including that highlighted by the OECD ahead of the G20 meeting. A further full update of all States income forecasts will be carried out in February/March 2015, following the provisional 2014 outturn figures.

Ahead of these revised figures, the current forecast of tax revenues for 2016 was provided in R136/2014, Long-Term Revenue Planning Review, alongside the 2015 Budget debate. These figures have been updated for the tax and duty proposals agreed at the budget debate in September.