

### **3.3 Deputy G.P. Southern of the Minister for Treasury and Resources regarding the use of Article 134A of the Income Tax (Jersey) Law 1961 over the past 10 years to prevent tax avoidance:**

Will the Minister inform Members how many times the Comptroller of Income Tax has used Article 134A of the Income Tax (Jersey) Law 1961 annually over the past 10 years to prevent aggressive tax avoidance by individuals or companies, how much tax has been recovered from each and what is the estimated additional tax revenue which might be generated from greater attention to aggressive tax avoidance?

#### **Senator P.F.C. Ozouf (The Minister for Treasury and Resources):**

In the short time available to research this answer it has not been possible to gather all of the information for the whole of the last 10 years. What I would say to the Deputy is that information in respect of tax investigations undertaken by the Taxes Office is published in the Comptroller's annual report and they are all available on the States website. As an indication, however, I can say that 373 taxpayers were challenged in 2008 and 284 taxpayers were challenged in 2009. Just in relation to tax-driven structures, which turn taxable income into non-taxable capital, this challenge has involved £57 million in 2008, of which 31 was taxed under Article 134A and £43 million in 2009 of which £22 million was taxed under Article 134A. These figures are indicative of previous years' challenges under the Article for similar challenges. Experience, I am advised from the Comptroller, has said that the very warning or threat of invoking Article 134A is very effective and sufficient to encourage most taxpayers to pay the right amount of tax. I am currently undertaking a review into whether improved efficiencies and tax policy changes could be introduced to ensure that all Jersey taxpayers pay the tax that they are legally obliged to do so. I will be making various announcements in this area in the budget, and also announce a target of additional tax that I am attempting to ask the Tax Department to collect.

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

Given the attention paid in the U.K. (United Kingdom) by the Liberal Conservative alliance, to helping to fill their deficit with avoided tax, the target he is setting, can he give us an idea of what sort of figure he might be looking for from the Tax Department?

#### **Senator P.F.C. Ozouf:**

I am certainly not the Business Secretary of the United Kingdom, and I am certainly not going to speak as though this was a party conference, which is designed to make a number of statements in the public arena, no doubt, to woo party members of a coalition government. I am certainly also not, I am afraid, going to say anything in relation to what is contained in the budget, which is going to be announced to Members on 22nd October. What I will just repeat and say is that we have been undertaking a quite comprehensive review of the Tax Department in order to direct resources in order to collect the tax that is due by taxpayers in Jersey. We have low tax in Jersey and tax at the low rate should be collected and I am going to give, and my Assistant Minister is going to ensure that we get the maximum resources in to collect the tax that is due, and changes will be made.

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

Will the Minister inform Members whether the collection of tax is made yet more difficult by the continued absence of a Deputy Comptroller in the department?

**Senator P.F.C. Ozouf:**

We have been looking, in fact, at the whole structure of the Tax Department and, indeed, it is fair to say that there have been a number of requirements to strengthen the management within the Tax Department. We are now greatly assisted by the Director of International Tax, who also helps very much on tax policy matters. We have had an additional post in the Treasury dealing with these issues, and certainly the review of the Tax Department that is currently going on is going to make some further changes to the management structure to fortify the Tax Department to collect more revenue. This is one area where I think Members actually want us to spend more money in order to collect the right amount and the appropriate amount of tax.

**3.3.3 Deputy G.P. Southern:**

I will try an alternative approach to get an answer to the question. How long has there not been a Deputy Comptroller in position, and surely does this not make the collection of tax more difficult?

**Senator P.F.C. Ozouf:**

I am not going to discuss personnel matters in the Assembly. It would be inappropriate for me to do so. All I will say is that we are reviewing comprehensively the structure of the Tax Department, and, yes, of course, the absence of a Deputy Comptroller will make life somewhat more difficult. The Deputy knows himself that it is difficult to ask the Tax Department to get information for information purposes, but the Tax Department do their best and we are doing our best to help them in this review.