

STATES OF JERSEY



DRAFT BUDGET STATEMENT 2015 (P.129/2014): SIXTH AMENDMENT

Lodged au Greffe on 22nd September 2014
by the Minister for Treasury and Resources

STATES GREFFE

PAGE 2, PARAGRAPH (a) –

After the words “as set out in the Budget Statement” insert the words –

“except that the estimate of income from taxation during 2015 shall be reduced by £250,000 by restricting the application of the proposed higher rates of stamp duty on properties worth more than £1 million to domestic properties only”.

MINISTER FOR TREASURY AND RESOURCES

Note: This amendment is being proposed by the Minister for Treasury and Resources less than 2 weeks before the debate in accordance with the provisions of Standing Order 80A(3) which states –

“(3) Notwithstanding standing order 26, the Minister for Treasury and Resources may propose, without notice, an amendment to a draft budget or taxation draft.”.

Standing Order 80A(4)(b) provides that an amendment of this nature shall be debated “forthwith or at such other time or on such other day as the States decide”.

In accordance with the provisions of Standing Order 80A(4)(b), the Minister will seek the agreement of the States to debate this amendment during the debate on the Draft Budget Statement 2015.

REPORT

The draft Budget proposes higher rates of stamp duty on transactions in relation to properties worth more than £1 million. These higher rates apply irrespective of the nature of the property (i.e. they apply to both commercial and domestic property).

The intention of these proposals was to raise extra revenue from more expensive properties in order to fund the removal of stamp duty charged on mortgages for homes costing up to £400,000.

Currently there is no differential between the stamp duty charged on commercial versus residential properties.

Despite being lodged on 18th July 2014, representations have been very recently received outlining concerns that the highest headline rate of stamp duty of 7% proposed in the draft Budget could impact on the Island's commercial property market, deterring investors, particularly when the rates in Jersey are compared to the highest rate applied to commercial properties in the UK of 4%. The higher rates of stamp duty proposed in the draft 2015 Budget would mean that the stamp duty payable on commercial property in Jersey would become higher than that due in the UK for property costing £2.65 million and above.

The Property Tax Review which has been published alongside the Budget sets out a very detailed analysis of property taxes including stamp duty. Since this Green Paper has been published, it has become increasingly clear that there may well be some gaps and lacunas in the existing property tax collection arrangements. Where aggressive avoidance practices are identified, we would seek to shut them down as soon as possible.

A potential avoidance practice on stamp duty has been flagged up and officers have been instructed to investigate this opportunity as a matter of urgency and, if required, to fast track legislation to close it.

As a consequence, it is therefore proposed that the extension of the higher rates of stamp duty to non-domestic property is deferred, pending the drafting of a fuller set of amendments on stamp duty for commercial property, to be laid before the States for consideration in the New Year.

Accordingly, the existing rates of stamp duty, as shown in the attached **Appendix**, will continue to apply to non-domestic property.

For the avoidance of doubt, the higher rates of stamp duty proposed in the Budget will continue to apply to domestic property; for the benefit of Members these higher rates are also shown in the Appendix. The factors impacting the commercial and domestic property markets are different, and the decision to defer the stamp duty increase on commercial property does not mean that the same should automatically apply to domestic property.

Whilst there has been some limited opposition from some developers and estate agents, we remain committed to the introduction of the higher rate for residential properties. There is no evidence to suggest that the increase would deter higher value residential properties from being sold, and the rates that will apply in Jersey remain significantly below those of the UK.

Financial and manpower implications

It is estimated that this decision will result in £250,000 of additional revenue being forgone in 2015.

APPENDIX

Proposed rates of stamp duty from 1st January 2015 on property costing more than £1 million

Property cost	Non-Domestic Property (unchanged from 2014)	Domestic Property
£1 million – £1.5 million	£22,000 plus 3.5% on the difference between the cost and £1 million	£22,000 plus 4% on the difference between the cost and £1 million
£1.5 million – £2 million	£39,500 plus 4% on the difference between the cost and £1.5 million	£42,000 plus 5% on the difference between the cost and £1.5 million
£2 million – £3 million	£59,500 plus 5% on the difference between the cost and £2 million	£67,000 plus 6% on the difference between the cost and £2 million
Properties costing more than £3 million	£59,500 plus 5% on the difference between the cost and £2 million	£127,000 plus 7% on the difference between the cost and £3 million