

STATES OF JERSEY



1(1)(k) CATEGORY RESIDENTS: REFERENDUM

Lodged au Greffe on 1st August 2011
by Deputy T.M. Pitman of St. Helier

STATES GREFFE

PROPOSITION

THE STATES are asked to decide whether they are of opinion –

- (a) to agree that a referendum in accordance with the Referendum (Jersey) Law 2002 should be held on the issue of whether or not the current preferential tax rates offered to new 1(1)(k) category residents should be abolished and be replaced with a flat taxation rate for all;
- (b) to agree that the text of the question should be –

“Do you agree that preferential taxation rates at 1% for any earnings over £650,000 for wealthy immigrants should be abolished?”

YES NO ”;

- (c) to request the Chief Minister to take the necessary steps to implement the referendum.

DEPUTY T.M. PITMAN OF ST. HELIER

REPORT

Given the recent debates on P.113/2011, P.114/2011 and the amendments that I lodged to these proposals I attach only a brief report to this proposition. Indeed, whilst the amendments were defeated it is quite clear from analysis of the debate that whilst the vote was lost the argument was won – and won decisively.

To this regard I have been contacted by many members of the public who have expressed how appalled they have been by the decision to effectively allow the very wealthiest to pay even less tax in real terms; all at a time when so many in ‘middle Jersey’ are struggling more than ever in the light of the current economic climate and increased taxation such as GST and rising utility costs.

Even worse in the eyes of many I have spoken to was the fact that not only did so few who voted to support the Minister for Treasury and Resources’ proposals actually speak within the debate to justify their reasons; but that the clear conflict with commitments outlined within the Strategic Plan were ignored. Further still that the evidence against such proposals and, indeed, the whole question of the immorality of the Minister’s proposals was ignored.

To this regard I quote from my speech the admittance of the Assistant Treasury Minister, Deputy E.J. Noel of St. Lawrence –

“Of course the 1(1)(k) regime is immoral!”

In the light of all of the above, and particularly given the fact that the Minister for Treasury and Resources, Senator P.F.C. Ozouf asserted to the Assembly that he believed the majority of what might be termed ‘ordinary Islanders’ within the community were in support of his proposals I believe that this highly contentious issue should be put to a public referendum to ascertain the truth. Such a process is already gaining widespread support within Switzerland – often quoted as one of the jurisdictions that Jersey must compete with.

Anger at such discriminatory taxation processes against local and less wealthy people is growing in many places around the world. Further still, with the Minister wholly failing to ensure a key part of his package was to include new regulations to actually require new 1(1)(k) residents to commit to investing a significant degree of their global income to benefit from the preferential rates – a public referendum is the only way that this matter is not likely to result in similar approaches to the Privy Council witnessed with the recent debates around States reform.

After all, for the avoidance of any doubt I quote again the words of award-winning economist Ha-Joon Chang – an economist our Minister for Treasury and Resources stated he did not want to read and consider because he:

“Sounded a bit wacky”

Chang, who is hardly an anti-capitalist, points out, less than a year ago, quite starkly that:

“According to World Bank data, the world economy used to grow in per capita terms at over 3 per cent during the 1960s and 70s, while since the 1980s it has been growing at the rate of 1.4 per cent per year (1980 – 2009).”

In short, since the 1980s we have given the rich bigger slice of our pie in the belief that they would create more wealth, making the pie bigger than otherwise possible in the long run. The rich got a bigger slice of the pie all right, but they have actually reduced the pace at which the pie is growing.”

Without the regulation that I highlight the case for abolishing the current preferential taxation rates is quite clear and should certainly not be continued without giving the wider public their say in the matter.

Financial and manpower implications

Had a referendum been able to be run alongside the forthcoming election in October 2011 the approximate cost of implementing this would have been in the region of £15,000. With this possibility advised as not now being possible due to time constraints the advised likely cost is not more than £30,000. Not an insignificant sum I acknowledge.

However, given the reality that a fairer, flat rate of tax for all would increase sums obligated to the Treasury coffers significantly, I believe that this figure is not excessive. Equally, in the most unlikely (in my view) outcome that the majority of Islanders expressed their support for a preferential taxation rate for 1(1)(k) residents, such demonstration would resolve this contentious matter once and for all.