

Taxation alternatives to GST

For the shadow Scrutiny Panel Review

By

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Jersey – A Credible Future?

If Jersey is to introduce VAT, we have been informed that many safeguards will need to be in place, to protect the 'large number' of people, who are not earning the obscene amounts of money our authorities would like us to, but are in fact living a miserable existence on very low incomes.

Therefore, if we are to be taking money on the one hand only to give it back on the other (not to mention the cost and bureaucracy in between) in order to obtain more from those able to afford it, then we must abandon the concept of VAT and find alternative solutions to achieve this same goal.

The influx of high earners from the city will be Christmas come early to the property developers who seem to have got their sums wrong and over saturated our Island with monstrous and unsightly constructions. Whether or not this policy is about preventing a collapse in the housing market is not my main concern. The fact that the Finance Industry will be able to source its employees from off Island more easily will be disastrous to our local labour market. The recruitment of school leavers within this industry has dropped substantially in recent years and this will become worse once this policy is instigated. Ultimately, I envisage very few local people being recruited by the Finance Industry and with no new industries to fall back on what hope is there for our youngsters?

Another danger I can see with this policy is if (as is currently the case) confidence returns to the Finance Industry and it once again experiences rapid expansion, what is to stop individual firms from buying up local businesses for the sole purpose of closing them down in order to recruit even more non locals.

More and more locals redundant and more and more local firms closed down!

Hopefully I am wide of the mark with this scenario, but to be totally sure the States will have to introduce safeguards, which I envisage will prevent jobs from being transferable and will probably end up being just as bureaucratic and unpopular as the Regulation of Undertakings Law!

I still cannot see why we are having to rush into hasty decisions as, I imagine countries like Switzerland will drag their feet for years and years until the whole EU/OECD demands are finally abandoned.

Finally, now that the States have also agreed to tax the finance industry at 10%, how will our local taxman ensure what profits are generated locally as these companies are global?

Also with the 0% tax for local companies what is to prevent complex financial subsidiary companies being set up for the sole purpose of Tax Avoidance?

If Jersey is to continue to prostitute itself to the whims of the Finance Industry in preference to other industries, then we must ensure that it continues to employ local people.

VAT

We've had the road shows - a concept I am positive was designed to soften the blow before the dreaded introduction of VAT. They kept telling us that 1 or 2% will not hurt, and would contribute millions of pounds into the leaky pot. 3 years on and that figure is already up to 3% - how much will it be in another 3 years to help bail out this extravagant and incompetent government.

Overnight, we will incorporate people who for no better word - are on the breadline - suddenly they will be expected to pay a new form of taxation, a tax that effects everybody Rich or Poor, it knows no distinction.

Once implemented, increasing our rate of VAT will be the easy option for those elected few who have carelessly wasted many millions of pounds of our hard earned taxes.

If you thought that the Regulations of Undertakings Law was bad for business, wait until you see the demise of Jerseys remaining small businesses caused by the mountains of Red Tape that will be introduced with VAT.

The introduction of this form of indirect taxation also poses the following questions: -

- 1) Will it in anyway effect our current position of reclaiming VAT on products purchased from the UK as we will no longer be deemed as a VAT free Island?
- 2) Will items that are used to calculate the Retail Price Index be exempt from VAT to prevent unnecessary increases in the Islands high rate of inflation?
- 3) How much business do we expect to re-locate to Guernsey, which is to remain VAT free? I.e. the fulfilment industry!

EXEMPT/IBC

The concept of the Exempt and International Business Companies are rightly perceived as harmful to the distribution of the worlds wealth. They are legal loopholes that cause misery to many of the poorer countries we only experience through our television sets in our warm and comfortable living rooms.

We seem to forget that our high standard of living here in Jersey is becoming more and more reliant on the unequal distribution of the world's wealth, which is keeping the rich richer and the poor poorer. The divide between the Earths rich and poor is growing by the day and Jersey like it or not is at the forefront of this unethical business by allowing itself to be at the forefront for those unwilling to share their wealth with those most in need.

The promotion of these obscene tax vehicles to make Jersey a fast buck which amounts to a meagre £600 per annum makes me ashamed to call myself a Jerseyman. I deplore the stance taken by the previous Finance and Economics Committee to openly promote these obscene loopholes.

Thankfully, these morally obscene tax vehicles are soon to go. However, rather than remove them and put an end to this immoral period in Jerseys history we are merely to remove the condition that they pay this meagre amount of tax.

I can see the reasons behind this decision as it will keep the many Legal and Accountancy firms doing very nicely thank you - to the joy of our taxman - but to the same detriment to the rest of the world we are currently causing.

Do our Lords and Masters seriously believe that bringing in the concept of zero percent corporate tax will put an end to the pressures we are presently and continually trying to deflect from the likes of the E.U.

And more importantly do they sincerely believe that the promotion of Tax Avoidance Vehicles is a morally acceptable way for Jersey to make a living?

Social Security

There is talk of putting up these contributions even further, even though, until quite recently it had been constantly increased by ½ percent per annum to its current high level. Were we not recently promised that Social Security contributions would be well placed to cover the pension/sickness requirements for the increasing number of pensioners until 2030?

Again is this just more incompetence from this government or blatant lies and disrespect to the electorate.

Increasing Social Security contributions is once again asking your average working person to pay for the irresponsible spending we have all too readily come to expect. As it is we already pay tax on our Gross Earnings which includes Social Security contribution payments, therefore, to further increase this area will not effect the

wealthy **tax evader**, but will definitely result in a form of 'Worker Pays scenario' by increasing what is effectively a form of double taxation.

Jersey is now almost totally reliant on the Finance Industry, an industry that can disappear at the drop of a hat, with no loyalty or guilt felt towards the many thousands of residents it will leave high and dry. Therefore, we cannot tax this industry on its huge profits as this will only ensure it moves away sooner than the short time it has left in its present form.

So what does that leave us with – **Quite a lot actually.**

My own solutions to this predicted deficit are both basic and brutal: –

- Take a **scythe** to the huge sums we are paying the **Civil Servants** above grade 11. The Island cannot afford to pay these managers the huge salaries/pension contributions they have come accustomed to. Therefore, to reduce waste and ensure savings a lump sum of £x million could be paid to each department not only for its day to day running costs but also for staff payments. This will motivate these departments to run efficiently and reward those managers achieving their targets.

Extra Amount raised £10 million p.a.

- Merge the **Social Security** and **Tax** departments. In fact I would remove the Tax department, as the Social Security System is ideally set up for a PAYE monthly payment system. Not only will this result in many millions of pounds worth of savings in staff duplication but will also remove the ability of those who organise their own tax affairs to pay themselves just above the current Social Security Minimum threshold for 11 months per year. Whilst this anomaly remains it can be used to reduce the amount of contributions payable as only one month per year is the maximum paid and therefore abuses such as these costs the taxpayer through the Supplementation Fund. Other areas, which will be addressed by an amalgamation of the two departments, are the contentious earnings ceiling and unfair unearned income scenarios.

Extra Amount raised £ ? million p.a.

- We can bring in an **Island Proportional Payment** which is effectively an additional rate of taxation for those earning amounts above the social security earnings ceiling. This will neatly address the unfairness perceived with this compulsory insurance scheme but without effecting the States Supplementation Fund or Employers Contributions – perhaps 5% up to a maximum of £50,000.

Extra Amount raised £ ? million p.a.

- The desire to attract more **1(1)K** residents is fundamentally flawed in its present form and must be urgently addressed before we allow any more in. Quite understandably they negotiate the amounts they are to annually pay to the taxman – However, these figures are not inflation linked or enforceable should the **1(1)K's** financial situation change.

Currently we have 155 **1(1)K's** paying almost £11million per annum to the taxman. Astonishingly this only equates to an average of £70,000 each.

Obviously those who have been resident for the longest will most probably still be paying amounts originally agreed upon at the very most! The States must find a way to reassess them – perhaps this could be achieved when the Island introduces a Resident Permit System!

We must raise this amount to a non-negotiable £150,000 each (annually increased) and as part of their right to reside here they must own a company employing at least 10 local people.

Extra Amount raised £10million p.a.

- Introduce a new category of wealthy resident aimed at attracting the Super Rich. This could be called **1(1)S** and would involve them paying a one off tax payment of say **£30million** which would allow them to reside in Jersey and control all their financial affairs Tax Free. As Jersey is in the privileged position of controlling its own taxation this could generate a huge boost to the local Finance Industry.

Extra Amount raised £30million per 1(1)S

- Start spending the so-called '**Rainy Day Fund**' – this is our money – accrued from when we were obviously paying far too much taxation. It is a prudent saving scheme to help us through the leaner times such as those currently facing us. If we were to use say £40 million per annum on projects that will increase taxation revenue until our economy picks up then it would easily last a minimum of 10 – 15 years dependant on interest rates – to be repaid when things improve.

Extra Amount raised £40million p.a.

The following are one off lump sum amounts, which the States could raise: -

- Introduce **PAYE** – in its first year the taxpayer will obviously be asked to pay an annual tax bill even though tax will be deducted at source. Obviously for those unable to afford effectively 2 years in one they could be allowed to carry forward owed amounts. At first glance this concept appears harsh to the taxpayer however it will eventually remove the burden many pensioners experience of a final tax bill in their first year of retirement.

Extra Amount raised £150million

- We can sell States owned buildings to property investors with the added benefit of no further maintenance costs.

Extra Amount raised £1.5billion

- We can sell States owned company's 'Privatisation' – the UK has made billions of pounds from it – why can't we?

Extra Amount raised £ ? billion

Finally we can **Borrow** – interest rates have not been so low in over 40 years, and if they were to go up above a certain percentage we could top up the repayments using interest earned by the Doomsday Fund.

Simple, Logical and vastly more Effective and Equitable than any haphazard Value Added Tax!

My message to the Finance and Economics Committee is this –

Do Not Tax The Worker

Do Not Tax The Pensioner

Please Do Tax The Unscrupulous Rich Who Are Currently **Tax Shy**

And please do all you can within your power to eliminate the Greed that currently typifies Jersey like a rampant cancer.