

2024.03.19.

**5.12 Deputy G.P. Southern of the Minister for Treasury and Resources regarding any additional or alternative taxation considerations to meet increased demand for services in Jersey (OQ.47/2024)**

Following the decision of the Isle of Man Government to raise income tax by 2 per cent in order to raise funds for improvements to their health service, will the Minister detail what sources of additional or alternative taxation, if any, she has under consideration to meet the increased demand for services in Jersey, or are current tax policy discussions based on an assumption of future reductions in services?

**Deputy E. Millar of St. John, St. Lawrence and Trinity (The Minister for Treasury and Resources):**

I thank the Deputy for his question. The new Government's first proposed Government Plan for 2025 to 2028 will be lodged in the summer and will set out our spending plans and income forecasts for those coming years. I do not consider that we face a binary choice as the Deputy's question implies. The Government Plan will also set out ongoing and any new tax policy reviews, but I can say that I do not currently envisage the need for Jersey to follow in the footsteps in the Isle of Man in this way.

**5.12.1 Deputy G.P. Southern:**

While the Minister might say there is no binary choice, in fact is she not saying, in saying she will not be looking at new taxes or increased taxes, she will be looking at reductions in services one way or another?

**Deputy E. Millar:**

No, I absolutely do not agree that that is the case. It is not a matter of whether we increase taxes or we reduce services. We have put additional support into Health, additional funding into Health for some time and since 2020 there has been additional budget allocations to reach this of £19.3 million over and above any allocations for pay, non-pay inflation and additional growth allocations. We will, however, continue to look for real efficiencies that help manage public sector costs while improving services. The Isle of Man's proposal is in fact temporary and they are, to some degree, following Jersey by introducing an additional tax, much in the way we did with long-term care contribution. The Isle of Man are working on developing a standalone annual N.H.S. (National Health Service) levy in the way that we have an L.T.C. (long-term care) contribution and that will ultimately replace the tax increase.

**5.12.2 Deputy J. Renouf:**

If I could move away from the idea of cuts versus taxes and instead focus on, I think, the acknowledged requirement for greater health spending in the future as the population ages and we have upcoming dementia strategies and so on. I wonder whether it causes the Minister for Treasury and Resources any worry that we have a relatively narrow tax base in Jersey with nearly all the taxes focused on income and expenditure through G.S.T. and whether she considers that there might be a case for considering broadening the tax base by looking at other taxes other than just income tax and taxes on spending.

**Deputy E. Millar:**

The Deputy is quite right in that we are reliant on income tax rather more than some other jurisdictions but our tax mix is not unusual for an international finance centre and that contributes substantially to our overall tax revenues. Additional taxes could impact significantly on the international competitiveness of the finance centre and introducing those types of taxes are not being considered by the Government. Corporate income tax revenues will increase with the introduction of the Pillar Two minimum effective tax rate for the largest multinational groups from 2025 and we, to some degree, do need to wait to see what the impact of that tax will be. There is ongoing work regarding both. He will be aware it does cause me a significant amount of concern that we are looking towards an increasing proportion of our population being older. Work is already underway in terms of what we do with that, both with the future economy programme and also the sustainability of healthcare funding. Work has been ongoing for over a year-and-a-half under the previous Minister for Health and Social Services and it is now being continued to look at both what our healthcare needs are and how those will be funded going forward. I think an assessment of need is necessary before we then move forward.

### **5.12.3 Deputy J. Renouf:**

Is the Minister for Treasury and Resources ruling out broadening the tax base in any way at all through, for example, capital taxes on second property sales or any other measure that might raise money in the future to bridge those funding gaps?

### **Deputy E. Millar:**

No, I am not ruling anything out but at the moment I am still discussing with my team tax policy objectives and what we need to do in terms of tax policy. We have discussed already this morning increasing taxes and duties on alcohol to deal with misuse but that is a very difficult balance. Do you increase tax to address the health well-being at a time when there is a cost-of-living crisis? So, they are a very difficult balance of measures. There may be other things we do but those will come forward in our next Government Plan.

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

A previous Government promised that they would transfer the burden of taxation from businesses to individuals and they have successfully and obviously done exactly that. Is it not time for the Minister to take a fresh look at taxation and rebalance business taxation with individual taxation in order to give individuals a bit of a break at this time?

### **Deputy E. Millar:**

I would remind the Deputy that we currently have an income tax threshold of £20,000 which is one of the most generous among comparative jurisdictions and our personal income tax rate remains low. People in Jersey are paying significantly less income tax than people in the U.K. (United Kingdom). I am going to say U.K. have to again draw out, that people in Scotland pay even more tax than people in England and in both cases pay significantly more income tax than in Jersey. They pay significantly more V.A.T. (value added tax) than G.S.T. Corporate tax will change with the introduction of Pillar Two and we do have to remember, of course, that Zero/Ten again was developed to promote and ensure the competitiveness of our international finance centre, which is critical to our economy. So I do not have immediate plans to look at business taxes but, as I said previously, nothing can be ruled out but it is not on the table at the present date.