

# STATES OF JERSEY

## OFFICIAL REPORT

WEDNESDAY, 29th NOVEMBER 2017

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[9:30]

**The Roll was called and the Greffier of the States led the Assembly in Prayer.**

**PUBLIC BUSINESS - resumption**

**1. Draft Budget Statement 2018 (P.90/2017): amendment (P.90/2017 Amd.) - second amendment (P.90/2017 Amd.Amd.(2))**

**The Bailiff:**

We return to the Budget amendments and we are now on the amendment of the Minister for Treasury and Resources to the amendment of the Connétable of St. Helier. If you would read the amendment, Greffier, please.

**The Greffier of the States:**

Page 2 - For all the inserted text after the words - "In paragraph (b), at the end of the paragraph, add the words -" substitute the following - "except that the Council of Ministers and the Minister for Treasury and Resources are requested that the allocation for the payment of Parish Rates by the States as part of the Central Growth proposals in the 2019 Budget and beyond is confirmed subject to the introduction of a sustainable funding mechanism;".

**1.1 Senator A.J.H. Maclean (The Minister for Treasury and Resources):**

Before outlining my amendment, I must perhaps express my sympathy to the Constable of St. Helier and indeed my admiration for his stamina and dogged determination on this issue. I notice that his loyal, supporting Deputies are also joining in with the comment because this has been a long-running issue as far as the Constable is concerned. He must have thought he had resolved this on many occasions in the past over the years, but it is perhaps worth recalling some of the history - not all of it - to put some context into the amendment that I am presenting to Members today. In the Strategic Plan debate this Assembly overwhelmingly supported the Connétable's amendment to provide for the States paying rates in the Medium Term Financial Plan. He is aware that the Council of Ministers supported his amendment to the Strategic Plan contingent on the identification of a sustainable funding mechanism. The Council of Ministers subsequently published the Medium Term Financial Plan and indeed included provision for the payment of Parish rates from 2017. Next came the Medium Term Financial Plan Addition and when that was published here we indicated the emerging challenges of finding a sustainable funding mechanism, but the commitment for the States to start paying rates from 2017 was still honoured. The absence of a funding mechanism in 2017 did not stop progress. We were prepared to let the funding mechanism follow in 2018 and treat 2017, if you like, as a one-off. This was on the basis that the principle that the States should pay rates had been agreed by the States. Continuing to honour our commitment, next came the 2017 Budget and, more specifically, the 2017 Finance Law. This contained the legislative changes required to remove the exemption to pay Parish rates from the States. It is a little under a year since I stood in this Assembly and presented that 2017 Finance Law. Ordinarily, the debate on the Finance Law is a relatively quick process as the substantive debate takes place around the Budget Statement itself and of course any amendments. The Finance Law merely gives legal effect to the changes agreed in the Budget. That was not the case last year and the Article changing the exemptions in the Rates Law was the subject of lengthy debate. The debate engaged in some technical aspects of the amendment. Members will remember, for example, debating how would roads be treated: what was the impact when roads are owned by the States, the Parishes, or indeed privately? Questions were also posed about the lack of a funding mechanism. There was debate about whether the States should have to pay the Island-wide rate and indeed whether the Parishes should have to pay the Island-wide rates as well. Nevertheless, throughout the debate the principle that the States should pay Parish rates remained solid. It was other issues surrounding this principle

which were being questioned. In the end this Assembly rejected the changes proposed to the exemptions contained in that Rates Law. As a result, the States continued to be exempt from the payment of Parish rates in 2017. Without that change, and with the whole principle questioned, it did not appear right for Treasury to agree to pay the rates money to the Parishes for 2017. I of course accept that this Assembly made that decision a few weeks ago on effectively an *ex gratia* payment basis. But back to the rates saga. Not one to be put off, Constable Crowcroft lodged P.12/2017. This asked for the updated legislative changes to be consulted on and brought back to the Assembly in 2017 so that the States would commence paying their rates in 2018. Again, the principle that the States should pay rates appeared solid, it just needed some better legislation which addressed the concerns raised by Members. So the Treasury reflected on the content of the 2017 Budget debate and made a number of changes to the legislation. This amended legislation dealt with the issues of roads, keeping them clearly outside the scope of rates. It dealt with the issue of the Parishes paying Island-wide rates which was dropped. What remained was what we believed was a pragmatic legislative approach that sought to address the issues identified in the budget debate. This legislation in draft form was shared with the Comité for comments. Their comments were summarised in their letter of 26th September. The letter itself was what one might describe as game-changing, certainly a comment in it was, and I quote: “In conclusion, the Comité pointed out that a significant amount of States land and property has in recent years been transferred to other bodies which are now liable to pay rates, for example, Jersey Post, J.T. (Jersey Telecom), the Harbours and Airport. The land and property owned or occupied by the States which remains exempt from rates relates mainly to administrative offices, including the States Chamber and Royal Court to health and to education premises, and the majority of the Connétables are of the opinion these should not be rated. It would be fair to summarise that, with the exception of the Connétable of St. Helier, the Connétables are not supportive of the revised proposals.” End quote. This is not a comment that says “you need to tweak the legislation a bit here or tweak it a bit there”, this is the Comité clearly expressing the view that they do not agree with the principle of the States paying rates on administrative buildings nor on the States properties used for health and education purposes. This was a game-changer because up until this point the Treasury had been working under the assumption that a law change could be drafted which the Comité would eventually find acceptable. This comment says that is not possible and it left the Council of Ministers in a somewhat challenging position: either plough on regardless in the face of clear opposition from the Comité or defer the payment of Parish rates for a further year while seeking to determine the support of both the Comité and also the broader Assembly for the very principle that the States should pay rates, an issue that we thought had already been established. We chose the latter option and that is to defer for a year. So, I know that the Connétable of St. Helier is disappointed by this decision. As I said at the start, the quest to make the States pay rates appeared to be nearing its end.

[9:45]

However, I also hope that the Connétable of St. Helier can see that both I and the Council of Ministers have sought to honour our commitment. That is no more clearly evidenced than by bringing the legislative changes to the Assembly in last year’s Budget only for it to be rejected. So returning to my amendment to the Constable’s amendment. It asks this Assembly to defer the introduction of the States paying rates for a year out to 2019 while support for the principle of the States paying rates is determined and also consistent with the Council of Ministers’ stance throughout to enable that introduction is contingent on the introduction of a sustainable funding mechanism for the resulting cost to the States of approximately £1 million and that that funding mechanism is available at the time that the payment of rates is introduced, so that the payment of the States rates is effectively neutral for the States overall. I must add that due to the aforementioned decisions and delays, there is no longer a funding mechanism for the States to pay rates in 2018. The money set aside for the purpose had to be reallocated to the Department for

Infrastructure to fund part of the shortfall from the deferral of waste charges. There are significant pressures on contingencies and underspends and the States paying rates would not be the right use of such funds, as the Connétable suggests. More importantly, it would not be the right decision to take on the basis that the principle appears to still be in some doubt. More importantly, they do not offer a sustainable funding mechanism by using contingencies and underspends in that way. I hope the Members can agree that this amendment offers a reasonable way forward in the light of the events that have occurred. I would also like to reaffirm that the Council of Ministers still support the principle of the States paying rates; we will therefore continue to do all that we can to facilitate its introduction. But I ask Members to support this amendment to defer the payment of rates until 2019 until all has been agreed and a funding mechanism that is a sustainable funding mechanism has also been found. Thank you.

### **1.1.1 Connétable A.S. Crowcroft of St. Helier:**

The Minister for Treasury and Resources, I am grateful for his initial blandishments, but he then says: will I be disappointed? Well I will not be disappointed because I do not believe that the States is going to accept this amendment. He also said as we came in that I am an eternal optimist. Well, that may be true, but I am going to set out reasons why I do not believe that the Minister's amendment can be supported by the Assembly. I just got my water bill recently. I am thinking of contacting Jersey Water to tell them that I cannot pay it this quarter because I have not found a sustainable funding mechanism. **[Laughter] [Approbation]** It is true, as the Minister says, that some States property has moved to arm's-length operation and that may be perhaps why the Constable of St. Peter has been less enthusiastic than he might have been about the States paying rates because the large part of the public sector operation in his Parish of course is now paying very good rates to his Parish. The Minister also said that this meeting with my esteemed colleagues on 18th September was a game-changer, and I am quite surprised to hear that. We have our differences as a Constables Committee, we evolve over time, in some respects anyway, but I need to remind the Minister that he cannot set aside decisions by this Assembly, decisions made in the Strategic Plan, no less, for this current term of office simply on the whim of a single meeting of a group of States Members. The Constables Committee is not some kind of Upper House. There are those who think we should be ejected from this Assembly and placed in another House, I am one of them, but we are not there yet. So that meeting and that letter that was sent to the Minister is not a game-changer. It was the opinion of the Constables present in that meeting on that day based on a relatively-short discussion. I want to remind the Minister that the Strategic Plan makes that commitment and there is still time for the Council of Ministers to honour that commitment, not just to St. Helier but to all the Parishes named in the Strategic Plan. I would urge the Minister and his colleagues to give serious thought to that. It is also one of the sad things about this history of trying to get the States to pay rates, but I have seen several Deputies elected at the local grass-roots level and of course fully signed up when they run in St. Helier as Deputies to the principle of the States paying rates, or in St. Saviour, which of course is another important Parish in this respect. They are fully signed up to it on the hustings platform and on the doorsteps when they are canvassing. They are fully signed up to it as Deputies until they become members of the Executive and then they let go of that commitment. Senator Maclean, he knows, he started in my district as the Deputy of No. 2, and he must have made those promises on the doorstep, he must have made those commitments on the hustings platform, but now they are forgotten in the interests of the Council of Ministers' policy. I even brought a green folder in with me today to put my States rates papers in. They do not all fit, but I brought the key ones in, and so I know if the vote is close I may rely on that green folder. I want to take the Minister back into 2 important areas: first of all, I am going to take him back to the working party. Now yesterday in proposing that the States pay Parish rates in future, I referred to the working party's proposals why the States should pay rates. These arguments have never been challenged, they have never been unpicked, and I am only sorry that Deputy Le Fondré,

who chaired the working party when he was then on the Finance and Economics Committee in those good old days of the committee system, is not well enough to be here today to ... **[Interruption]** He is back? Well I am relieved to hear that and hopefully he will be in here in due course. That working party came up with 2 sets of proposals. Yesterday I read out the first set, which was the reasons why the States should pay rates. Now I am going to take the Minister back to the second set of proposals which I believe is equally important. Proposal 2, and I quote: "That the additional cost to the States in meeting their rates liability should be contained within existing States budgets except where such costs form part of a service whose costs are recovered in the form of charges to end users." Among the 6 recommendations that follow that proposal, item (b), and I quote: "The working party considered that, as an overriding principle, total public sector revenue take, taxation and rates, should not increase and the States should seek to absorb the additional costs within its approved future funding envelope." The next one: "The working party was of the view that the States contribution should not be offset by a commensurate increase in the contribution to the Island-wide rate which would have a neutral impact on States finances. They go on to helpfully suggest ways in which the then Finance and Economics Committee might find ways of paying their rates bill. The point I am making is that it has been established as long ago as this working party report in the early years of the millennium that the States not only have an obligation to pay rates, but that they can meet those rates, and every householder and every business on the Island does, from their income. They do not have to go out and raise a new charge because they have this bill to meet. I am going to take the Minister back as well to those years when he was in the States, I am pretty sure. The Chief Minister was a former St. Helier Deputy, then Senator Le Sueur, and the Senator gave a commitment. This is now 11 years ago because this commitment was given in June 2006. I quote: "I confirm now for the benefit of the doubt of the Connétable or anybody else that I will now be setting up that working party within the next 3 months with the aim that we will, in fact with the commitment, that we will be able to come back by 2007 with firm recommendations. I underline that this is an undertaking which I am happy to give. The Connétable is happy to accept that undertaking and on that basis, I would like to propose the amendment." This is 11 years ago. I do not think it is acceptable for the Council of Ministers to be renegeing on a promise they made in the Strategic Plan, but I really do not think it is appropriate they are renegeing on a promise made by a former Chief Minister, a former Deputy of St. Helier, that this matter would be resolved, so I urge Members to reject this amendment. The States must honour their commitments and whether they do that with the amendment that has been proposed by my esteemed colleagues on the Constables' Bench or not, they need to get on with the payment of rates. They need to find the money like every other ratepayer does in this Island. I urge Members to oppose the amendment.

### **1.1.2 Connétable L. Norman of St. Clement:**

It really is a shame that the Minister's amendment refers exclusively to Parish rates because if he had taken the word "Parish" out and just included "rates", then it is quite possible that I could have supported his amendment and I will explain why shortly. But I will also say for absolute clarity that, despite our letter earlier this year, the Committee of Constables has been totally consistent - totally consistent - over this issue. The majority of Connétables do not think that it is necessary for the States to pay rates. Many of us are doubtful about creating a tax, which rates are, on health and education facilities by rating hospitals and schools. To be honest with you, if the Constable of St. Helier had not brought his amendment to the Budget today, we would not be discussing this issue because we were content with the situation as it was, but he has brought it and we are discussing it. Our position today, which has not changed, is that if the States are to pay rates it needs to be on a fair, equitable and honest basis, and the Constable of St. Helier's proposition does not achieve this, and the amendment of the Minister does not help. What the Minister is proposing, and, indeed, to a degree, what the Constable of St. Helier is proposing, is not broad, is not simple and is not fair, and

I will explain that later. As the Constable has said, there have been working groups, steering groups over the decades to address the question of the States paying rates, the taxpayer paying rates. One of the last working parties - the Constable has quoted from one or 2 - I will quote from another working party recommendation which was in 2008. It said: "It recommends that the States should, like other ratepayers, be liable for Parish rates and Island-wide rates on all of their properties. The working party is firmly of the opinion that the States should seek to absorb the additional cost of meeting their rates liabilities from within existing Budget allocations." That is a sensible recommendation. In fact, it is the only recommendation that can be made because that is what every other single ratepayer in this Island has to do. Every single ratepayer in this Island has to pay the Parish rate and the Island-wide rate. The working party goes on to say: "The difficulties associated with absorbing the additional unbudgeted costs should not delay implementation of the working party's recommendations." Despite what the Minister would wish for, the States paying rates cannot be cost-neutral. There can never be a sustainable funding mechanism. It is a cost, a utility, a bill which has to be met. As the Constable of St. Helier tried to explain with his water bill, we all have to pay rates, we do not go out and try and find extra money or an extra source of revenue to pay those rates or any other bill. It is something which we have to do. If the Constable's proposition is eventually adopted with the amendment of the Comité des Connétables, the States are going to have to do it as well. So what I am saying: it is absolutely clear that the various reviews concluded that the States should pay both the Parish rate and the Island-wide rate from existing resources.

[10:00]

Therefore, there is no reason to delay. It is interesting to note that the anticipated costs of the States paying both Parish and Island-wide rates back in 2007 was £2.2 million. Today that cost is expected to be under £1.9 million. That is an indication not only of the transfer of properties to States-owned corporations but also of course to the efficiencies in the Parishes. It should be obvious - it should be obvious - that if the States pay rates on its properties it must pay both Parish rate and Island-wide rate. Not to do so would be to allow the current ratepayers, in this case in the main, the non-domestic ratepayers, to subsidise the States to the tune of about £900,000. That is simply not fair, not broad, and not simple. I will just mention briefly, if I may, the amendment that the Constables have lodged because in the comments on our amendment the Council of Ministers say: "The amount raised from the Island-wide rate would reduce if our amendment is adopted." I am not sure if the word "poppycock" is allowed but if it is ...

**The Bailiff:**

No, I do not think it is.

**The Connétable of St. Clement:**

In that case, I use the word "poppycock". That is the most ridiculous statement ... **[Laughter]**

**The Bailiff:**

Connétable?

**The Connétable of St. Clement:**

I beg your pardon, Sir?

**The Bailiff:**

I did say I do not think it is allowed.

**The Connétable of St. Clement:**

I thought you said the opposite. I ...

**The Bailiff:**

No. But I am sure you have made your point very well. [Laughter]

**The Connétable of St. Clement.**

I withdraw the word that I said and use the word “nonsense” instead. I do apologise, I misheard you. The Island-wide rate would collect exactly the same amount as prescribed by law and increase year on year, but on this occasion the States would pay their fair share and remove the subsidy they are receiving from the current ratepayers. In the final paragraph of their comments, the Council of Ministers say: “There would be a recurring deficit of nearly £1.9 million if the States pay rates”, an admission from the Council of Ministers at last that the ratepayers, the current ratepayers, are subsidising the States by this amount and certainly that is just not fair, not broad and not simple. I wonder if someone from the Council of Ministers could tell me why it is fair that, for example, De La Salle College, Beaulieu Convent have to pay rates, Parish rates and Island-wide rates, but Victoria College and Jersey College for Girls do not. Is that broad, is that simple, is that fair? No, it is not. What it is, it is a targeted attack, financial attack, on Catholic schools and private schools and that is wrong. It is not fair, it is not broad, and it is not simple. But this is not just about equity and fairness, although that should be enough, but the Minister for Treasury and Resources and others have always maintained that they wanted to pay rates so their departments could understand the true cost of running their buildings. To exempt them from the Island-wide rate does nothing at all to meet this laudable ambition or encourage departments to use their buildings more efficiently. Someone suggested that by the States paying the Island-wide rate we are paying money to ourselves. What it is doing is meeting a true commitment to pay what is due because of owning and occupying property. The discipline, the principle of knowing the true cost of owning them is clearly established. Why else - why else - do occupiers of Morier House, Cyril Le Marquand House, Maritime House pay rent to Property Holdings, pay money to another States department? They do it so departments know the true cost of occupying their buildings. Paying rates will make that even clearer, in fact, will clarify that fully which is not done now. I ask the States to reject the amendment.

**1.1.3 Deputy M. Tadier of St. Brelade:**

I am glad that the chairman of the committee spoke first to outline the rationale; that is very helpful early on in the debate, especially for those of us who have followed this for the entire duration of our terms in office. This has been on the table for the last 9 years that I have been here; it has no doubt been rumbling before. I think the difference is, okay, let us look at it: the States could be asked to pay the Island-wide rate. They would effectively be paying money to themselves; it would be a circular system and you could say for accounting purposes that is the right thing to do. We have had other speeches yesterday continually saying that we should ring-fence funds and that you should know where the money is going, so for proper accounting purposes for a paper-based exercise that makes sense. The difference is the Minister for Treasury and Resources has never required or called for the Island-wide rate to be paid on States buildings by the States. The difference here is that the Constable of St. Helier has time and time again called for Parish rates to be paid on States-owned properties within his Parish because it is a separate jurisdiction. So while it might be good for accounting purposes to say: “Okay, let us move these paper bits of money around and the States pay themselves money”, it is a completely different argument and a much more involved argument than any Constable of St. Helier who is worth his or her salt would be making. If you value the Parish system, if you value the municipality of St. Helier and the services that are provided by other Parishes, which everybody at election time stands up and says: “We must protect the Parish system, the honorary system, the Parishes, we are much more efficient than the States”, why on earth would we deny the Constable of St. Helier the funds that are due to his very own Parish simply to recoup the cost of the services that he provides for his parishioners? Now let



us put this in the wider context. We have got a Strategic Plan from the Council of Ministers that says: "Let us prioritise and value St. Helier." We know that a third of the Island lives in St. Helier, probably more than a third now, and the outskirts of course are always growing. We know that if you combine simply St. Saviour and St. Helier you have almost got half of the population there. If you combine St. Clement, St. Saviour and St. Helier and you have got the wider St. Helier area, you have got much more than half of the population that live in those 3 Parishes. Yet, we can be held to ransom, we are being told ... and I am sure the blame is not entirely to be laid on the Comité des Connétables. I think the Constable who just spoke has laid out some of the nuances there, but the bottom line is that the majority of Constables, we are being told, do not agree with the principle of the States paying rates. We are told one of the reasons is because we should not have a tax on schools and hospitals. That is a very noble position to have; that is fine. Does that mean that nurses and teachers should not pay tax then? Does that mean we have a moratorium on their personal tax because they work for those schools and those hospitals? The bottom line is that whatever the purpose of the building there, you are having your refuse collected. If you are an ambulance driver or a taxi driver, whether you are in the private or public sector, you are using the roads and where it comes to the Parish, if they are Parish roads, those roads need to be fixed, those roads need to be maintained and the workers for the Parish need to be paid, so it cannot be right that services are being used and not being paid for. That seems obvious to me. It is not a question about left or right or whether you live in St. Helier or whether you live in the countryside; it is about basic justice. The old joke is of course: how many Constables does it take to change a light bulb? There is nothing wrong with the light bulb. I will say it again. There is nothing wrong with the light bulb; leave that light bulb alone. That is the response that we are getting here, is that under the gerrymandered electoral system that we have in the Island, the one Constable who looks after the third of the people who live in the Island can be dictated to by, let us say, the 9 other Constables who do not represent the majority of the Island. That is the fundamental problem that we have. But the Council of Ministers cannot be let off the hook here because, as the Constable of St. Helier said, it is a complete cop-out to say: "Well, we will wait for 2 necessary conditions: the first is when all the Constables are on board." How long are we going to have to wait until that happens? I suggest there is more chance of the Constables being removed from the States before that decision is made. Secondly: "We will only do it when we can find a sustainable mechanism to pay for it." The Constable again took the words out of my mouth. It is not a funny issue when he says: "Well I do not wait for a sustainable method to pay my water rates." Okay, that is quite amusing, but I did meet a constituent of mine the other day who is struggling to pay her bills. I said: "How are things going with you?" She is always in good spirits despite many difficulties that she has in her life. She said: "Well I am being taken to court for my rates because I cannot afford to pay my rates bill." Now when she goes to court, if she does - I hope it does not go there - she is not going to say: "I am afraid I have not got a sustainable mechanism to pay my rates bill because life is so tough in Jersey and my income has not been uprated for such a long time." They will say: "No, it is a bill. You get your refuse collected, you use the services in your Parish, it is not an option, you have to pay it and you will end up in court if you do not." I think when you have exhausted all the other democratic routes that the Constable of St. Helier clearly has, and when time and time again he has the support of his parishioners and the other Deputies in the Parish have the support for this very basic principle, they are within their right, I think, as I think Deputy Martin said it in the past, you say to them: "That is fine, if you want to wait until 2019 to consider whether you are going to pay your rates, we will suspend all of the services that we provide you, all the relevant services that we provide you as a Parish, until you start paying your rates." So whether it is any schools in the Parish, whether it is any other buildings that the States own, the hospital, you say: "No, you will make your own provisions for collecting your own rubbish until that time." Let us see all that rubbish collect and mount up before we start valuing the service that needs to be paid for. This is the strange argument that is coming from the Comité. They are saying: "No, we want a

proper system of accountability so that the States can pay an Island-wide rate” which is purely, as I said, a paper-based exercise. It does not add any value, but yet when it comes to the real value, the money that the Constable needs to pay for his services, they seem to dodge that issue somehow intellectually and that is what I do not understand here. So, if this does not go through today, I would ask the Constable, even though I am not a parishioner of his, call a Parish meeting; there will be a new Roads Committee, I think, at the end of the year in time for next year. That Roads Committee should also be saying: “We will cease to collect any refuse and any other relevant services for it.” Is it *ultra vires*? I do not know, we can maybe ask a Law Officer that later on, but I say: bring it on. The point is: we know that the Constable of St. Helier has a democratic mandate from his parishioners for this particular policy. How many Parish meetings have taken place in the other 11 Parishes? We are told anecdotally that one Constable had a pint with a couple of people in the pub and they say: “Oh, we are not too bothered about the States paying rates on the masses of buildings in Trinity”, for example, and that is States-owned, but where is the democracy in the other Parishes? If in St. Saviour, for example, where all those schools are, was the Parish meeting held? Were the parishioners asked by the Constable: “What do you think about the States paying rates? This is how much it would bring in”? I think the arguments do not stack up. A promise has been reneged on. I ask the Minister for Treasury and Resources just to remove his amendment, just get on and pay the rates that you are due, otherwise let us see St. Helier come to a standstill.

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

I rise to strongly oppose the Minister for Treasury and Resources’ amendment. It is quite liberating not being shackled by the collective responsibility because you can be a free spirit and you can argue what you really passionately believe in without the shackle, the legal shackle, of the corporate collective responsibility girdle, or muzzle, or whatever it is. [Laughter] The Council has had ... Sir, I am pleased I made you laugh. [Laughter]

#### **The Bailiff:**

There are just too many metaphors in one sentence, Senator, that is all.

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

I thought they were quite good. I thought they were a good collection of metaphors that were quite true because Ministers know that they have been given, in their heart of hearts, some of them which come - I was a former Minister - out of St. Helier. They know what fairness is and they know how long this issue has been going on. They know that they should have dealt with finding the sustainable funding source and they have been given the chance and they have been given the solution, but they have not done anything about it. The Minister and the Constable of St. Helier are in such a difficult position. I can see the eyes of the Constables, certain Constables, drilling into me because they know where I am going. They know what I am going to say.

[10:15]

The Constable of St. Helier is so right: do the Constables Committee have an Upper House veto on the wish of this Assembly? No, they do not. Now we have a situation where the majority of Constables, as explained in the early remarks, I will come back to the Constable of St. Clement when he says “fair and equitable” because, my goodness me, this is a debate about being fair and equitable. It is absolutely about fair and equitable and he should be fair and equitable. I know he is a fair and equitable man. But effectively the Committee of Constables, in the majority, do not agree with the States paying rates and that is because the majority of the Parishes do not have States property in their Parishes. So it is the lone voice of the Constable of St. Helier who has got the vast majority of the States property in his Parish, now joined by the Constable of St. Saviour, who is not with us today. But I know that she feels - and I hope that the Deputies of St. Helier will confirm my understanding and discussions that I have had with her - that she feels equally strongly about

this issue of St. Saviour; equally strongly about this. Of course the third Constable is the Constable of St. Brelade, as I recall seeing the numbers. Effectively, of course, when the Constables are sitting as a Committee of Constables and they are considering Parish issues, they say: "Well, in the majority this does not really matter to us." They do not believe it and they do not want the States to pay rates. It does not matter to them, to their parishioners. Now I would have hoped that they would be considering issues on the Committee of Constables with not only an eye to their Parishes but an eye to the Island-wide fairness and equity issues. We are going to come to a debate later about mutuals and the arguments that have been advanced by the Constable of St. Clement, and indeed others, is that somehow: "Pay the bill." In a sense I am with the Minister for Treasury and Resources, but I am not supporting this amendment. In a sense, Members cannot have it both ways because we are going to have this discussion about mutuals. What is the States of Jersey? What is the Parish? Well, it is effectively almost a bit like a mutual. It is like a collection of people and there is a consequence. If you pass a bill from one mutual to another, it has got to find the money. There is no free money. We cannot quantitative ease, we cannot print money. There has got to be a consequence. The Minister for Treasury and Resources is saying: "Well I need a source of revenue to pay these rates." Of course I agree with him. I have always agreed with him. I have been the Minister for Treasury and Resources. I know that there is no free money. I know that you have to find it somewhere and I found a solution to do it, and this is where the Constables are really going to start drilling into me. Those eyes are going to start really going straight into me and saying: "Here he goes again. Here he goes again." There has to be a sustainable solution to pay rates. But it has been given and it is the revaluation of commercial property which is an issue which affects St. Helier more than any others. I see the Constable of Trinity smiling, laughing. Good. I think he knows the fact that that is the solution. If I am wrong about the unfairness of the sustainable funding solution that I have suggested about revaluation of commercial property, then I remind Members of what the Chancellor of the Exchequer in the U.K. (United Kingdom) said when they have a revaluation every 5 years and that was wrong. They brought it down to 3. Let me repeat that again. The Chancellor of the Exchequer in the U.K. has accepted that a revaluation every 5 years is not enough, it should be brought down to 3. What revaluation do we have in Jersey? None. It is resisted. It has not been done since ... if I may just ask the Constable what date it was? 2003. We have not had a revaluation since 2003. We imposed the tax yesterday, or we might do when we come to the legislation on retailers. Retailers are being unfairly treated by this inequity, of this unfair revaluation because their rents are down. Office rents, on the other hand, have continued to rise. So the sustainable funding solution was always ... and if the other Parishes did not want to do it, fine. Let St. Helier and St. Saviour, who have the vast majority of the commercial properties, let them do it and let there be somehow some division between the 2 Parishes with commercial properties and those there was not. The rates assessors in the other Parishes do not want to do commercial revaluation. So be it. Let those that want to do it, to do it. Now this is relevant because it is about the arguments, I am afraid to say, that the Council of Ministers cannot do this. They cannot say that they need a sustainable funding solution when they have known and there has been an agreement to do it. The States agreed a revaluation. Where is the legislation for that revaluation that was agreed last year? Where is it in this Budget? It is not here. It is not here because it has been vetoed. It has been vetoed by the Committee of Constables. So in a sense ...

**The Connétable of St. Clement:**

I must object. I must object in the strongest possible terms.

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

I did not give way, Sir.

**The Connétable of St. Clement:**

That is an outrageous statement made by the Senator. An untrue statement.

**The Bailiff:**

Well, Connétable, if he is not giving way, then you have spoken, unfortunately. One of your colleagues will have to deal with it.

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

There is a reason why, if it is not a veto, I must find another way not to upset the Constable, because effectively the letter says they do not want to do the revaluation. The States has made a democratic decision to do a revaluation, the Minister for Treasury and Resources has been asked to do it, and it is not here. The majority of the Constables still maintain they do not want to do it, despite the fact the States Assembly has done it, has made the decision for a revaluation.

**The Connétable of St. Clement:**

That is absolutely outrageous. Would the Senator please ... the States last year agreed that the Minister for Treasury and Resources should bring forward regulations to enable a revaluation. As soon as that happened, I contacted the Minister and offered our help in achieving that and one of our staff served on a working party to achieve that. Since then we have heard nothing from the Treasury. There is no way that the Constables are going to try and veto a democratic decision of the States and I resent ... **[Approbation]** I resent the comment that has been made by the Senator.

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

Well then, I am absolutely delighted to withdraw the comments because the Constable of St. Clement has therefore confirmed effectively where the problem is. He has confirmed that the problem is within the Treasury who have failed to bring forward the mechanism for paying for the rates. I am delighted, and if it is true ... and of course I know the Constable of St. Clement very well. I believed the representations of what I had heard, that the Committee of Constables have said they would not do the revaluation. If it is not true, fantastic, I welcome that news. That is really fantastic news to hear that the revaluation is going to happen because there is the solution. I withdraw the comments that I made because clearly they are untrue but that is what has been said.

**The Connétable of St. Clement:**

Also apologise?

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

I apologise that if the impression has been given wrongly, because it has been given, and it has been widely known - I can see other Deputies nodding their heads, knowing that they have heard this too and that they have seen this letter or whatever; I have not - then I am grateful that all the Parishes are going to accept the revaluation because that is the sustainable funding solution. That is the sustainable funding solution. So the problem we have now identified is within the Treasury; they have not done what this Assembly asked them to do. So, therefore, there is no good reason for the States, having found the solution, brought forward, having articulated it, got the mandate to do it, the Treasury should now be in the position of having brought the legislation forward in order to therefore get the revaluation, who is going to pay? It is going to be those nasty banks with offices in St. Helier, that is who are going to pay the rates because of course, like that mutual, somebody has got to pay. We are going to come back to the debate about the mutual, about whether the Co-operative should be having tax or not, and we are going to hear the representations about what happens, that if we tax the mutuals, they are going to pass it on to their customers. Yes, that is what happens. Somebody has to pay. The States are a mutual, the Parishes are a mutual. If they are faced with additional costs, they have to find the money. Where is the money going to come from? Well, there is another reason why the States can reject the Minister for Treasury and Resources'

amendment because I was most interested to hear him on the television last night when he was smiling with glee when he announced - and of course I welcome it because it was in my manifesto, like many other manifestos - the solution for higher education. The higher education. The correspondent, the media person asked ...

**The Bailiff:**

You are talking about rates, are you not?

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

I am talking about rates and why there is no need for a sustainable funding solution. Because the Minister said with a big smile on his face: "How have you found this money?" because of course we were all surprised yesterday. We were all surprised with this announcement yesterday that higher education is going to get an extra ... is it £3.9 million or something like that? But clearly the Minister has got some money. He also said the Strategic Reserve is up to £890 million, I think is what he said. I think the Minister has got quite a lot more money than he has been previously saying. I think that is great news. It is good. The economy is working, there are people in work; I am not surprised by that. Record numbers of people in work, people paying taxes, more cuts being made, departments becoming more efficient. The States finances are in good shape. They are in great shape. They are in fantastic shape. Do we need a sustainable funding solution, therefore, to pay this bill of £600,000 to St. Helier? So I am afraid because the Minister for Treasury and Resources has not done his job and got the revaluation here, he is going to have to bear the bill from his additional money that he has got in his kitty, in the biscuit tin, the Jersey mutual of all the people of Jersey biscuit tin. The money is there. It is quite clear, is it not? We heard that in the Budget Statement yesterday: "Public finances are strong." They are stronger than ever because of all the strong economy, the people that are in work. The Minister for Treasury and Resources does not need a sustainable funding solution. In fact, I can throw out my idea of the revaluation because the Minister for Treasury and Resources; I know he has got the money. The Constable of St. Helier is nodding. I suspect a few other Constables are in agreement too. I suspect we know that the money is there. I come back to this issue of fairness. It cannot be right any longer for the mutual of St. Helier, the collection of the people of St. Helier and the collection of the people of St. Saviour, to continue to be deprived of revenue from the costs of the States property in their Parishes. It is unfair. The mutual of St. Saviour, St. Brelade and St. Helier, but mainly St. Helier, are being unfairly disadvantaged. We would not do it to 2 mutuals trading together, so why would we do it with the States relationship with the Parishes affected? The bill has to be paid but I am afraid the Minister cannot have it both ways. The Council of Ministers cannot have it both ways. This, as the Constable of St. Helier has said, has been a debate that has been going on for years and years. Many unfairnesses have been dealt with. The Parish has got a good deal, if I may say, in giving up welfare which is effectively the long-term care, all those costs. Because it is not just about welfare; it is about the long-term care costs. We switched, we introduced the Island-wide rate which has been referred to. They paid the Island-wide rate and then the cost of income support, long-term care, was switched to the States. Well just look at the numbers. Look at the number of the Island-wide rate versus the cost now of the States to taxpayers, to the mutuals of the taxpayer and the Minister for Social Security's budget of how much money her and her department is having to pay for the ageing society. That was a cost that used to be borne individually by the different 12 mutuals of the Parishes and that cost was shifted to the mutual of the States of Jersey. My goodness me, that cost has gone up and up and up and up and up. I can see the Assistant Minister for Social Security nodding his head in agreement because we all know that. The Parish got out of that one and we agreed to shift the burden of the ageing society and the income support to the mutual of the people of Jersey rather than the individual collections because it was unfair. So this is unfair, this has got to stop. We cannot carry on having debates about this unfairness, and

some of us who have been Deputies of St. Helier have never forgotten our responsibilities on this issue.

[10:30]

I have worked with the Constable and I have also worked with the chairman of the Rate Assessors to try and find a solution to the ... and I am truly delighted to hear, I make the withdrawal of the remarks I made about the revaluation with great pleasure because it is fantastic news to hear that the Constables are really getting behind this now and really going to be supporting of this because, effectively, it is going to be the St. Helier ratepayers, the office ratepayers that are going to pay for this. Good, because, effectively, commercial rates in Jersey are 3 per cent of rent roll versus 80 per cent in the U.K., so much for the cost of living and cost of doing business in Jersey being so high. Remember that figure, if I may say to Members, equity and fairness in the U.K., if you are shocked you pay 80 per cent of your rent as an additional cost to the local authority; in Jersey it is about 3 per cent. There is a fair and equitable solution to this, there is a fair and equitable solution in funding it. There is no free money; it has always got to come from somewhere. It has got to come from a saving or it has got to come from an income line. The Minister for Treasury and Resources has had the solution, he has had the agreement of the States and he has done nothing about it. He does not deserve ... the Council of Ministers do not deserve to win this amendment because the decisions have already been made. **[Approbation]** Just because they have not got on with the work that this Assembly tasked them to do, does not mean to say that now we should continue to perpetuate the unfairness, the gross unfairness of St. Helier versus the other Parishes. I urge Members, on the basis that this argument has been going on for so many years, the solution has been found. It has now been accepted by the Constables, great. But I am afraid there is no reason to require there being a condition of a sustainable funding solution because, effectively, it has already been there. It is, effectively, an amendment that is otiose, it is unnecessary and it sends the message that we are not committed to dealing with this unfairness. Making them pay it, making the Treasury pay it from their clearly plentiful balances in their Consolidated Fund, which is clearly doing quite well, if they want to find a sustainable funding solution by the revaluation they got on with doing it but they do not need it because we heard that yesterday. I urge Members in the strongest possible terms to vote against this amendment by the Council of Ministers. They have had their chance and I think they have let the Assembly down and they do not deserve it. But the people of St. Helier, the people of St. Saviour and the people of St. Brelade do deserve it and we must not let them down. I should have said St. Clement as well because they are affected.

#### **1.1.5 Connétable C.H. Taylor of St. John:**

I was very disturbed to hear the previous speaker talk about rents have changed. Yes, they have changed but to imply that that affects rents is a load of balderdash, and I am allowed to use that word, Sir, I Googled it. **[Laughter]**

#### **The Bailiff:**

What does it mean, Connétable, then? **[Laughter]**

#### **The Connétable of St. John:**

Nonsense, that was the Google definition but it was not that. Properties are rated according to their attributes, not according to their rental value. We have seen a change, a shift in rents within St. Helier but there is a lot of office space that is empty and why is it empty? Those office spaces have not gone up in rental value, in fact they have gone down. Some office space has gone up and this is the office space that we are talking about, the Grade A office space towards the Waterfront. There is a very simple mechanism within rates and that is to give those offices additional attributes. They are superior offices, they can have superior quarters and that is the way this problem is tackled. I hope that puts a clearer definition for Members as to how the rating system works. As for the

amendment by the Minister for Treasury and Resources, I am going to upset him by saying he has had long enough to find a funding mechanism. If you look very carefully in the Comité des Connétables' amendment it has an article from a local newspaper dated July 1971, that is more than a generation ago. The old excuse of we have not got a funding mechanism just simply does not hold water any longer. You have had long enough to find a funding mechanism and so I urge Members to vote against this amendment.

#### **1.1.6 Deputy S.M. Wickenden of St. Helier:**

I too would like to commend the Constable of St. Helier for his steadfast and resolute way that he has been pursuing this matter and I think it is very important for St. Helier, so I would like to commend him on that first. As I listened to the Minister for Treasury and Resources propose in his speech this amendment, all I could hear was: "I am kicking this into the long grass." This issue is too difficult for me. I wish he would come out and say: "This issue is too difficult for me." The Minister for Treasury and Resources was supposed to look at this from the first meeting on the town plan and come up with something but the excuse is now it is somebody else's fault: "It is not my fault, it was a letter from the Comité des Connétables that made it clear that I cannot do this." If it is too difficult just say it is too difficult, Minister for Treasury and Resources. Sorry to go on again but the same kind of thing, if I turn round to my Constable, the Constable of St. Martin, and said: "I am terribly sorry, Constable, unfortunately my current budget is already allocated into economic spending and I do not have a current sustainable funding mechanism to pay my rates but I do hope to have something and I plan to look into having a sustainable funding mechanism maybe in the next year or so and I will let you know when I do and then I will pay my rates." I am sure he will nod right now to say that that would be perfectly acceptable, no, apparently not. No, apparently not. I think let us try and be inventive, as the Minister for Treasury and Resources and as Senator Ozouf was mentioning earlier, we are in a great place at the moment because of what the Council of Ministers has been doing. We have got a strong economy, we have got strong books, we have got a AAA rating in our financial services or AAA+, I think it is. What about the Common Investment Fund? He has got an extremely capable team that looks after our money and invests it so that we can get a great return on the investment on the money that we receive. Is that not a sustainable funding mechanism? Is that not using the money that the States of Jersey are given by the taxpayer in the charges or taxes that they are given, that we put into a fund for a rainy day and we invest that appropriately, safely so we get a good return on it? Is that not how you pay your bills? Is that not what we are doing? Can we not be saying we will spend money from the Common Investment Fund because we know that we get a good return and we know that it is well managed by the people in the Treasury and that will pay our bills because we will use the money, how we are investing safely, how we are managing the money safely to pay for our bills? I would warn the Senators, I had a look at the figures from the election and, Chief Minister, 17.2 per cent of his votes came from St. Helier; Senator Bailhache, 16.2 per cent came from St. Helier of his votes; Senator Green, 20.8 per cent of his votes were from St. Helier; Senator Maclean, 17.2 per cent, do you want this figure to be higher or lower next time? Senator Routier, 18.9 per cent. St. Helier have supported you quite significantly ...

#### **The Bailiff:**

Through the Chair, Deputy.

#### **Deputy S.M. Wickenden:**

Very sorry, Sir. St. Helier have supported the Senators, it is about time the Senators supported St. Helier. I would say this amendment is kicking the States paying Parish rates into the long grass and it should not be acceptable. I say kick this amendment into long grass and do not vote for it.

#### **1.1.7 Connétable J.M. Refault of St. Peter:**

Before addressing the point, I just wanted to remind Deputy Wickenden that 70 per cent of the Island's population do not live in St. Helier, they live in the other Parishes and they provided two-thirds of the votes to the people that he just mentioned in his speech, not just 28 per cent; the highest number was going to Senator Green. Moving on, I would like to say in a very, very loud voice to the Parish of St. Helier and their Constable, do not compare St. Peter with St. Helier. St. Peter has for many, many years - 82 years to be precise - foregone millions of pounds of rates income from having the airport in its Parish. In 1935 this Assembly voted to introduce a law that enabled the States to compulsory purchase any property or land that it required for the building of an airport in St. Peter. St. Peter has since then carried that burden ... sorry, the ratepayers of St. Peter have since then carried that burden right up until this year. This year is the first time, with the incorporation of the Ports of Jersey, the Parish has received some rates to compensate for the millions of pounds it has foregone in the last 82 years. That is why I question very loudly the real sense behind the Constable of St. Helier's wish to be compensated for the States properties in St. Helier, especially when the 70 per cent of people that live outside of St. Helier have contributed to the extension of the Parish of St. Helier in the West of Albert in the La Collette reclamation sites. Just thinking very quickly, just going through a couple of points, those reclamation sites sponsored not only by 30 per cent of the population outside St. Helier and also the 30 per cent within it but on top of that, that has delivered a new rateable income to the Parish of St. Helier. Just a few; the Harbour Reach apartments, the Castle Quay apartments and developments, Elizabeth Terminal, Cineworld, AquaSplash, KFC, La Fregate, Radisson Blu and I could carry on about all the offices along the Esplanade, all of which have now given the Parish a far better rateable income than they ever had before, on the back of the taxpayers of the whole Island, not just St. Helier. They have had significant improvement in the last few years because of the developments going on there and not only that, from the States Departments, which have been privatised; Jersey Telecom, Jersey Post, S.o.J.D.C. (States of Jersey Development Company), Andium, Ports of Jersey, all of those now pay rates. When he tries to compare the one-year windfall of St. Peter, which he shared in, with the ports, the harbours in St. Helier and he tries to make an issue about St. Peter getting an advantage, I find that grossly, grossly offensive. Yes, Deputy, I do find it offensive, Deputy Southern. You may well laugh but that is the point. Apologies, it was Deputy Mézec.

**The Bailiff:**

Through the Chair.

**The Connétable of St. Peter:**

Sorry, Sir, I apologise to you. I would like to just pick up a couple of other points I wanted to mention - having calmed down a bit from that - it was raised about the Comité des Connétables, they are not principled in deciding the issues of the States. But the Supervisory Committee of the Comité des Connétables is empowered by this Assembly to make decisions about how rates are apportioned and how it is managed. That is the Supervisory Committee, especially set up by this Assembly many, many years ago for the purposes of determining rates; that is where their power comes from. Another point he made, he made a point yesterday in making his speech where he said he was pleased to note that Constables were now supportive of the States paying rates. I was not at that meeting, yet I have not missed a meeting and I am the vice-chairman of the Comité des Connétables and I do not agree that the Constables have agreed that the States should pay rates. If I am wrong I would like to hear the Constable to tell me I am wrong when he does his summing up. I want to just now move on very quickly to some of Senator Ozouf's comments and he said: "This is fair and equitable." If it is fair and equitable, under Senator Ozouf's terms, is he prepared to bring forward a proposition in this Chamber, in this Assembly, to pay back the money lost to St. Peter's residents for the last 82 years for having to provide an airport for the benefit of the people and the economy of Jersey?



[10:45]

I am not going to ask for that and I would never ask for that but this seems to be what he thinks is fair and equitable, that St. Helier should be a special case and not any other one. Let us go back again just to another little item where the Island, the 70 per cent of people who do not live in St. Helier, as well as the 30 per cent that do, changed to welfare and why did they change those arrangements for welfare? They changed it to help St. Helier. I am sorry, they did change it, the Parish of St. Helier. St. Helier, at that time, quite rightly was carrying the burden of welfare at that particular time, whereas the rural Parishes were not. The rural Parishes all agreed that they would rebalance that and they would commit to paying money, i.e. the Island-wide rate to help support St. Helier carrying the burden and move the burden centrally to Social Security. I do not think I want to say any more. I think I have already said enough of that. One final comment that Senator Ozouf made, in the U.K. that commercial properties in there, 80 per cent of their rents, the value of their rents, is paid as rates to the councils and yet he brought a proposition only yesterday to reduce the cost of commercial entities, the retail tax effectively, from 20 per cent to 10 per cent and now he seems to argue there should be a ... if it was a burden, of 82 per cent of the value of their rents to be paid in rates but I do not really see the balance in that.

#### **1.1.8 Deputy J.A. Hilton of St. Helier:**

Just really falling out of Senator Ozouf's speech, which I enjoyed very much, and it is great to have Senator Ozouf join us on the enlightened side. **[Laughter]** I think he spoke extremely well and very passionately about the subject that is dear to his heart. I just wanted to ask the Minister for Treasury and Resources if he could answer a couple of questions that I have. There has been a lot of talk obviously about where this money is going to come from to pay the rates but my understanding is that the money is already in the base budget of the Department for Infrastructure and if that is correct maybe the Minister for Treasury and Resources can confirm that. If that is correct that is where the money is, as we speak today, so I do not really see that as an issue. The other thing I was really interested to hear and the response of the Constable of St. Clement about this revaluation of commercial property, so I am really heartened to hear that there is not a block by the Comité des Connétables, that is really, really good news. The question I have for the Minister for Treasury and Resources is: why has the Minister for Treasury and Resources not brought forward those regulations? Can he please explain to Members what has happened and why there has been this block because they were tasked by the States Assembly to do that and to date that has not happened? I am really interested to hear from the Minister for Treasury and Resources and his side of the argument in that regard.

#### **1.1.9 Deputy J.A.N. Le Fondré of St. Lawrence:**

The only reason I am speaking is I was encouraged by the Connétable of St. Clement: he may not have realised that though because he made a reference to a very sensible comment from a working party in 2008 and is in the fact of the chairman of that working party, which it was basically he recommends that the States should, like other ratepayers, be liable for Parish rates and the Island-wide rates on all their properties. That was a proposal that came out of the Treasury and Resources Department because I was Assistant Minister there at that time but that was the recommendation of the working party. But obviously since then Treasury have, from time to time, brought in this attempt at what they keep calling a sustainable method of funding it, which, to be honest, is kicking into the long grass all the time. This has been the battle that has gone on for, I would say, generations. It was mentioned in 1971, I can remember my father being here as a Deputy of St. Lawrence talking about it and, at that point, it had gone on for that long. This is getting ridiculous and this is time to try and put this thing to bed and I commend the Constable of St. Helier. I will not be supporting this amendment. I think the Minister for Treasury and Resources is an honourable man. I think he is doing his best but I think he is in a difficult place. In terms of the

Connétable of St. Peter's comments about departments having been privatised and then paying rates, is that not the point? In other words, they have gone from one day being in the States and not paying rates and suddenly because their label has changed, the actual pigeonhole they are in has moved, they are now paying rates and that must highlight the unfairness of where we are. It is about level playing fields. Even in the educational level and it is about utilisation of resources, we know St. Saviour have huge issues with the number of schools going through. In those schools at the secondary level there are fee-paying schools, States ones that do not pay rates and there are non-States ones that are fee-paying schools which do pay rates. It can go right down to the level of a nursery school. You can have a private nursery school that does pay rates and, if you like, is already having to compete and attract custom against this fee, the States sector who do not pay rates. It can be even at the point if you are looking at departments that have to operate on a cost-recovery basis, particularly if they pass on those costs to end-users; that is about pricing. Depending where they are in - and it can be even at the level of printing road signs - if it was a cost-recovery issue. They do not pay rates; Signtech, I guess, will pay rates. For me, it is all about a level playing field and it is about starting to recognise where costs fall. On that basis, I hope I only need to speak once, I am not supporting this amendment. I will be supporting the Connétable.

#### **1.1.10 Deputy S.Y. Mézec of St. Helier:**

Unfortunately, the Constable of St. Peter is not in the room but maybe he will hear my comments from the tea room. He advised us not to compare St. Peter with St. Helier and I can tell him, do not worry, we certainly will not be doing that; there is no comparison. He said he was grossly offended by the comments from the Constable of St. Helier. Let us just remember there are children starving in Africa, there is war in the Middle East but, no, it is the comments of St. Helier that are grossly offensive. I simply make that point to say that I think when Members make comments like that they look ridiculous and they undermine this Assembly because it makes us look like a room where people do not talk as if we are in the real world. When we are arguing things like this, can we stick to things that are factual, not ridiculous? The Constable is entitled to his opinion. It was not an offensive opinion and comments like that really do not help this debate. But this amendment is about the introduction of a sustainable funding mechanism and that is just something I want to speak on very briefly. Parish rates are not progressive. The amount that you pay in Parish rates bears no resemblance whatsoever to your ability to pay Parish rates. You can argue whether that is right or wrong. I think in some taxes that principle would be wrong but for Parish rates or in the U.K. council tax or whatever it may be, it is fine for that to be the principle. But when people are subsidising States buildings in their Parish, the amount that they are paying to provide that service is not based on their ability to pay, whereas income tax is. Income tax, the amount you pay, is directly based on your ability to pay it. If you have no income you do not pay tax. If you have loads and loads of income you will pay higher rates of tax. For the States to provide a sustainable funding mechanism to pay its utility bills, as this will now become for them, for it to be paid out of tax, I think, is wholly appropriate because it would mean that everybody in the Island will be paying according to their ability to pay and receiving the services that those buildings provide on the basis of their need. That, I think, is the underpinning principle that should apply to all of our public services and taxes, so to have the States pay Parish rates, the sustainable funding mechanism is just pay for it like you would any other thing that a States building has to pay for. I urge Members to reject this amendment and vote for the amendment from the Constable of St. Helier. This will benefit people in all the Parishes, including St. Peter or whatever the Constable seems to think.

#### **1.1.11 Deputy M.R. Higgins of St. Helier:**

I am not going to add very much towards what has been said already but just, first of all, I will say that I will be voting against the Minister for Treasury and Resources' amendment and supporting

the Constable, quite naturally as a St. Helier Deputy. What I am extremely disappointed at are the views that have been expressed by some of the Constables. We always knew that their sort of rivalry, in one sense, between St. Helier and the country Parishes but, unfortunately, we seem to have a great chasm that has been built up between the attitude of the Constables towards St. Helier. Some of the comments, I thought, were outrageous and, therefore, I am extremely disappointed in them. All I can say is the people of St. Helier will note this and it will cause a reaction, which I would hate to see but what you have done is opened a chasm that is extremely wide. As I say, I shall be voting against it.

#### **1.1.12 Senator I.J. Gorst:**

I am sure you are aware of the sayings that the writing appears to be on the wall and the other saying that perhaps the time has come. I think that with, potentially, this amendment and the original amendment we see those 2 well-worn phrases coming to pass. Sometimes I sit in this Assembly and I think that we debate things in a very mature, grown-up fashion. We deal with the issues carefully, we are respectful of each other and that shows this Assembly at its best. There are other times when we give in to that little side of us that wants to criticise each other, wants to blame each other and that does not put us in the best of lights. This is an issue that many Members have said have been going on for decades and I am sad that that debate has gone on for decades and it has become divisive. I do not think that is anyone's intention. I know it certainly is not the intention of the Constable of St. Helier. He very much wants to address what he and his parishioners, I think, rightly see as an unfairness. The Minister for Treasury and Resources, the Government and his predecessors have said they can see the unfairness but it has got to be paid for. Ministers today have been criticised for not moving fast enough, not finding a mechanism that could have majority support in this Assembly. I think we all know the conversations, the meetings that have been attended, the persuasive voices one way or the other. Unfortunately, we find ourselves, as we do today, with the Constable, rightly, bringing the matter back to the Assembly and the Minister, rightly, saying: "Money does not grow on trees, everything has got to be paid for and the Budget has got to be balanced and that has got to be done in an appropriate and careful way." We know, do we not, that in the world of Treasury, in the world of accounting, we try not to confuse income with capital and capital growth we manage carefully? It is one of the reasons why we do have a strong balance sheet because, unlike other places, we have not just, on an annual basis, taken growth in capital and used that income on an ongoing basis; we have rolled it up. We have used it from time to time and, of course, most obviously we will be using for the hospital as well. But you could say that that is just using capital to spend on capital as well. We have had other Members who have had very good ideas about revaluations and how we could develop a sustainable funding mechanism. I am grateful to the Comité for providing an official or an individual to work with Treasury to try and find a way through that. I think the Minister for Treasury and Resources is disappointed that we have not found a solution in this regard and maybe he will talk a little bit more about that.

[11:00]

So we should not, in this Assembly, be trying to divide. The politics of division is easy. Anybody can have that approach but it does each one of us a disservice. When we talk about the uniqueness of each Parish we are right to talk about the uniqueness of each Parish. I might get the eyes that Senator Ozouf was talking about as I move on from that. Each Parish is unique but we should think that that is a positive thing not a negative thing and we should not be critical of each other in that way. We should recognise our uniquenesses. We should value those uniquenesses and I think we should endeavour to maintain them in any way that we can. Enhancing those; maintaining them; making them fit for the future is not part of this debate but it is a debate that does need to be had and needs to be ongoing as we work together to provide a strong future for all of our Island,

whichever Parish we might live in. That is the reason that the Minister for Treasury and Resources has put his amendment today; that he would still like to find a sustainable funding mechanism. I am not sure that we could have expected anything else from a Minister for Treasury and Resources but, as I said at the start, sometimes one sees the writing on the wall and if we are doing that today I do hope that whatever the outcome of this democratic process that we have with this amendment, and then ultimately the Constable's amendment, we can continue to work together, as a Comité, as the Assembly, across the Parishes thinking about some of the issues that the Constable of St. John raised about how we could even use the existing system to better effect or some of the issues that Senator Ozouf has raised, and raised for a long time, about how we could do a revaluation maybe in just the more urbanised Parishes. Whatever the result of this democratic process let us keep working together in the interests of the Parishes and the Parish system in the interests of eliminating unfairness and the interests of all members of our community, whichever Parish they enjoy living in.

**The Bailiff:**

Does any other Member wish to speak?

**1.1.13 Senator S.C. Ferguson:**

Yes, some of us were in the States when the previous Auditor General was working over here and some of us may remember that the one thing that bothered him was the fact that States departments did not value the area of the property they were occupying. Property was a cheap good. Effectively to chief officers it was free so they spread as far as they could because it was a question of we have a lovely empire. There have been a lot of suggestions and recommendations that we should in fact have some sort of rental setup so that officers would economise on the property they are occupying. The previous director of Property Holdings used to reckon that 80 to 100 square feet was quite enough for office space but I trundle into the some of the offices around the States and they are considerably bigger than that but that is another story. But basically we need a method to make States departments value the space they occupy and it seems to me that none of the previous recommendations have either been applied or have had any effect so that making the States pay rates seems to me probably to be the best way of doing it. So I shall be, strangely enough, supporting the Connétable of St. Helier because I do not see any other way to make States officers use their space efficiently.

**1.1.14 Deputy G.P. Southern of St. Helier:**

How refreshing it is to find myself not at the wrong end of trying to find a sustainable funding method for a particular project that I may have and instead it is the Minister for Treasury and Resources who is looking around trying to find that sustainable method of funding. But, of course, this is old hat for some of us, including my own Constable who has shown, I would say, dogged determination, teeth gritting determination and obstinacy, to keep bringing this back time and time again. The nearest I can offer to that is my determination to have a town park, time and time again. My Constable has already waved his ring binder around just in case he needs it for this vote. I do not think he will. But, of course, sustainable method of funding is the bit that we all trip over when we get an in principle decision. When we stand in a hustings before the electorate we make all sorts of promises. "I support this. I support this. I will work for this. I will bring a proposition to do this. I will fight for it." Of course, we may have any number of targets in there which when we get into this Chamber get prioritised and given any particular item that we promised our electorate to deliver or to try and deliver because we cannot do anything on our own, can we, particularly? We can always find other priorities. "Oh, no, I could not do that because I was busy doing this." So when we stand on a hustings what do we do? Now, according to the Minister for Treasury and Resources, who has been described by Deputy Le Fondré as an honourable man, he is in a difficult

place. According to Senator Maclean, because I have heard him say it, was not on a hustings, it was outside the voting booth on a horrible November night, where he said: "I do not know why you make such a fuss about this politics game." It was early days. "What you do is you just tell them what they want to hear and then you do what you like." Why is the Minister for Treasury and Resources in a difficult place? Because he has found the priority that is not his particular initiative. Of course, when he stood on the hustings he has supported the States paying rent. We all did, including the people who did not get elected. We all supported that. At the time, and it was early days, it was quite a while back, he also stood up and supported the Millennium Town Park which eventually he did manage to vote for, accidentally. He also supported the Hoppa Bus and I have had the Hoppa Bus supported in principle in an M.T.F.P. (Medium Term Financial Plan) once; no twice at least and a stand-alone proposition, a third time. Never arrived, never happened. Why? Because there was no sustainable method of funding. So it is a bit of *schaden* for you, but I will sit here quietly, not pleased but content that the Minister for Treasury and Resources finds himself in a difficult place of his own making and I will be voting against his amendment.

**The Bailiff:**

Does any Member wish to speak? I call on the Minister for Treasury and Resources to reply.

**1.1.15 Senator A.J.H. Maclean:**

I have been so looking forward to this moment. I would also like to just pick up on the last speaker, Deputy Southern. He weaved and waffled all over the place on various points talking a lot about what I may or may not have said in the past. I think his memory is remarkable. I certainly do not recall the words that he just mentioned. But I think we do need to focus on what has been delivered and I think if we compare respective success rates there will be a very different outcome perhaps in terms of delivery than what else may have been achieved. But, anyway, back to the point and that is the relationship of Members' views and the amendment that I have presented for them today. At the very heart of where my amendment stands is my role, as Minister for Treasury and Resources, and what I believe that role means. That role means I am the custodian effectively of public finances and that is at the very heart of the comments that I have made in the amendment because I believe that it is wrong to be progressing anything if one has not got a funding mechanism identified or in place and that is at the very heart and the principle of this particular amendment. Now, just getting into the detail of the issue of the States paying rates. I have consistently said I support it. The Council of Ministers have consistently said they support it. The actions that we have undertaken have also demonstrated very clearly that that is the case. It is not through a lack of trying that we have not succeeded with this particular objective. It was included, as I said in my opening remarks in the Strategic Plan where the Council of Ministers supported the Constable of St. Helier with his objective to get the issue into the Medium Term Financial Plan. The Council of Ministers then put the States paying rates into the Medium Term Financial Plan and they also agreed to it being contained within the Budget last year. It came to this Assembly to remove the exemption of the States paying rates in the Finance Law and it was rejected. So it is not a case of the Minister for Treasury and Resources not doing what this Assembly had asked. It is not a case of the Council of Ministers not doing what this Assembly asked. We quite simply have made a number of steps in order to reach the objective of the States paying rates and frankly, Senator Ferguson, who spoke very recently, talked about the principle behind it. Others have also mentioned it as well. It is right that the States account properly for the space that they occupy and this may be one small element of it but nevertheless it is an important move to have made, which is why we have been so supportive for some time. But the decision happened in the Budget last year. It was not supported by this Assembly. The Constable brought a further proposition which asked for me to consult and consulting the Comité was a very sensible route to take. The Constables are, after all, the custodians of the rates law and it is right that they have an appropriate say into a

proposal of this nature and I will not read out again or repeat the remarks that were made in the letter I received from the Comité about this matter but it was absolutely clear that the principle of the States paying rates is something that they did not support and I think the Constable of St. Clement more or less confirmed that when he spoke earlier on. That principle is there.

[11:15]

But let me make something absolutely clear; consulting the Comité was one thing. The Comité do not have a veto over this Assembly. They do not and are not an Upper House of this Assembly. They are an important body to consult on a matter relating to the rates law, which is why I did that, and it was why, in my opening comments, I made the clear point that I still would like to work with the Comité to reach some common ground on this issue but that I would extend the consultation more broadly to Members of this Assembly to see if we can reach an agreement as to how we move forward on this. That agreement has to include funding and it has to include a sustainable funding mechanism. Now, I have said, I think, on many occasions, that the Medium Term Financial Plan was a package. It was a package to lead us to balance budgets at the end of the term, 2019. We know that certain elements of that package have not been agreed. They were in the Medium Term Financial Plan but when they came back they were rejected, like the health charge. Now, that is fine. The Assembly made a decision and it was up to us to find some alternatives which we have done or we have certainly moved in the direction of finding some alternatives to bridge the gap of the health funding. Now, Senator Ozouf spoke earlier about biscuit tins; plenty of money in the biscuit tin and all the rest of it and we have got money coming out of our ears. Well, I would like to say that, yes, our public finances, our underlying public finances, are strong. Members will have gathered that from the comments I made yesterday. Largely, the improvement in public finances has been around the strengthening of our reserves and the performance of our investments. That is not money that can be spent as revenue expenditure on matters such as this. It is just simply not a prudent approach to take. It is absolutely wrong to go down that particular route but what is right is that we look to find a way in which we can find funding for this particular issue. I know that it was the Constable of St. Clement who was saying that you cannot be neutral on this. There is a cost associated. Well, yes, there is a cost associated but we could find other revenue raising measures in which to do it. Senator Ozouf stood up, in his speech, and he said: "Well, that is fine. Revaluation; you have not done that." Well, in fact it was included as a provision in the Budget last year and I can tell Members that it was a question I think Deputy Hilton asked, that the Treasury had been working on the matter of revaluation but it is not that straightforward. Professional valuers are looking at ways in which the valuation process can be undertaken. The regulations will come back with the detail to this Assembly as soon as is possible. So that was last year's Budget and, as we have said before, we make commitments to do the work and do it properly and then the legislation will come back but there is a really important point about this revaluation. The revaluation, as Senator Ozouf suggested, does not automatically provide the money to pay for this. It does not. What it does is it redistributes. Now, there is some unfairness and I think the unfairness is one of the big issues that we need to address and I will tell Members what this unfairness is. Because there has not been a revaluation since ... I said 2003 earlier. I think it is 2004 but it is around that time. It is a long time ago. What has happened in the marketplace in the intervening period, we have seen the retail sector go through a big change, largely driven by issues relating to online retail and so on. We have not seen any changes, of course, to the rates that retailers pay. We have seen the success of many other areas of the business community where office rates have stayed also exactly or broadly where they were. Not taking into consideration market changes. So what one could see with a revaluation is a movement and a rebalancing making it easier for retailers and the retail sector, as opposed to offices, but it does not provide more money to pay for this particular issue whatever anybody likes to say. That could be achieved, and this is one way in which it could be done and that would be through the Island-wide rate, and I do not know whether my

colleagues... I am looking across to some of the faces of horror about changing the Island-wide rate for commercial properties. But that is a solution to raising some money as far as this issue is concerned, but that is a matter that I am sure the Comité would want to, and have, expressed views on in the past. So it is not necessarily as easy or as straightforward as Members think and the fact of the matter is, despite the underlying strength of the public finances, we have still to deal with replacing all of the health charge money that was rejected. That was going to be around about £15 million by 2019. We still have yet to deal with the waste charges. That is potentially another £11 million. So we have £26 million yet to be resolved by 2019 and, of course, there are other commitments that are coming forward, all of which require funding and there is pressure on contingencies and under-spends in that regard and that is why it is my belief, and it is the belief of the Council of Ministers that to give ourselves some more time to do the job properly... and I accept the point of the Constable of St. Helier that it has been a long time. He may well quote, I think it was former Senator Le Sueur as Chief Minister, who made the commitment to set up the working party and indeed did that and suggested there was going to be a solution in 2007. That shows how complicated this is. Do I think it is acceptable it has been that long? No. I think in truth, and I hope the Constable will agree with this, a lot more progress, despite the frustrations, has been achieved in the last 3 years than was the case prior to that and I think that that progress can be maintained if we work together and that includes the whole of the Assembly to find a successful outcome. I would just answer one other question that I think it was Deputy Hilton asked about the budget for the £900,000 because she is right insofar as money was put aside for this particular purpose and it was done so because in the Medium Term Financial Plan we agreed to the undertaking about the States paying rates. We did make a provision but, of course, in the intervening period the States took the decision last year to not agree the changes to the Finance Law, which exempted the States from paying rates, so the States have, therefore, taken a changed position. From a Treasury point of view we then had other pressures, in particular the decision to defer the waste charges and the pressure that was brought to the Department for Infrastructure's budget so the money has been reallocated to deal with ... or part of the money or part of the issue or shortfall that D.f.I. (Department for Infrastructure) have for the deferral of the waste charges. So the money is not there to do that. It has been allocated for D.f.I. and that was the reason why and it relates directly to the decisions of this Assembly in the Budget last year. I do not think there is very much more I can add usefully to this debate and in particular try to encourage Members. I sense the mood in the Assembly but I nevertheless have to maintain my position with regard to this matter and the way in which there has to be a funding mechanism in place and indeed the necessary support. What I can say to Members is, and to be absolutely clear, that the revaluation issue is being progressed by Treasury because I think separate to ... this is a separate issue in some respects but it is an equally important, if not more important, matter that does need to be dealt with and I believe that it will be in good order. I would ask Members to consider their support for the delay, which is effectively at the heart of this amendment. I would also make one final point to the Constable of St. Helier with his opening speech. He talked about the water bills and he talked about the fact that if the States gets a bill it should pay its bill. He pays his water bill. Other people pay their water bills but we need to remember it is not the States paying rates. Let us be absolutely clear about this. Who is it paying rates? It is the taxpayer who pays rates. So I think he was a little unreasonable and unfair with regard to that particular comment. I would finish by saying to the Constable, and I know he has made these comments publicly, that I have not forgotten my roots. I am sure he said it tongue in cheek. I have not forgotten my roots, to the Deputy in St. Helier, and that is one of the reasons why I believe that this matter has progressed, not in the way that the Constable would like but nevertheless it has made far greater progress in the last 3 years than it has prior, as I have already mentioned. So I would leave it at that. I would ask Members to consider the position that we find ourselves in and that I, from a Treasury point of view particularly find myself in, and believe that the support to this amendment would give the necessary delay, albeit

short - I know there has been a lot of delays - a further year to resolve and bring this back in the budget next year. I ask Members to support the amendment.

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

Can I make a point of clarification?

**The Bailiff:**

Can you do what?

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

May I ask a point of clarification on the Minister's remarks? He spoke about a budget and the M.T.F.P. but he said the M.T.F.P. is in the base budget of D.f.I. and he ... is he confirming, therefore, because of the other issues that have happened, that he has removed the States decision for the funding solution, not just for one year but for all years for the M.T.F.P. and if that is the case then is that not against what the States have decided?

**Senator A.J.H. Maclean:**

No. It was relating to 2018 and it was in direct relationship to the decision that the States took last year when I brought the Finance Law amendment to exempt the States from paying rates and it was rejected by this Assembly. That was a clear indication of a desire not to move ahead with that issue and that is why that money was reallocated.

**The Bailiff:**

The appel is called for. I invite Members to return to their seats. The vote is on the amendment of the Minister for Treasury and Resources to the amendment of the Connétable of St. Helier and I ask the Greffier to open the voting.

<b>POUR: 10</b>		<b>CONTRE: 31</b>		<b>ABSTAIN: 0</b>
Senator A.J.H. Maclean		Senator P.F. Routier		
Senator I.J. Gorst		Senator P.F.C. Ozouf		
Senator L.J. Farnham		Senator S.C. Ferguson		
Senator A.K.F. Green		Connétable of St. Helier		
Deputy of Trinity		Connétable of St. Clement		
Deputy E.J. Noel (L)		Connétable of St. Lawrence		
Deputy S.J. Pinel (C)		Connétable of St. Mary		
Deputy of St. Martin		Connétable of St. Ouen		
Deputy R.G. Bryans (H)		Connétable of St. Martin		
Deputy G.J. Truscott (B)		Connétable of Grouville		
		Connétable of St. John		
		Connétable of Trinity		
		Deputy J.A. Martin (H)		
		Deputy G.P. Southern (H)		
		Deputy of Grouville		
		Deputy J.A. Hilton (H)		
		Deputy J.A.N. Le Fondré (L)		
		Deputy K.C. Lewis (S)		
		Deputy M. Tadier (B)		
		Deputy of St. John		
		Deputy M.R. Higgins (H)		
		Deputy J.M. Maçon (S)		
		Deputy S.Y. Mézec (H)		
		Deputy A.D. Lewis (H)		



		Deputy R. Labey (H)		
		Deputy S.M. Wickenden (H)		
		Deputy S.M. Bree (C)		
		Deputy M.J. Norton (B)		
		Deputy T.A. McDonald (S)		
		Deputy of St. Mary		
		Deputy P.D. McLinton (S)		

## **1.2 Draft Budget Statement 2018 (P.20/2017): amendment (P.90/2017 Amd.) - amendment (P.90/2017 Amd.Amd.)**

### **The Bailiff:**

We now come to the amendment of the Comité des Connétable and I ask the Greffier to read the amendment.

### **The Greffier of the States:**

Page 2. (1) In the second line of the proposed additional wording for the figure “£978,000” substitute the figure “£1,894,000”. (2) In the sixth line and in the penultimate line, delete the word “Parish”.

### **1.2.1 The Connétable of St. Clement (Chairman, Comité des Connétables):**

I shall be brief because I think the case was well made during the debate that we have just had but before I talk to the proposition could I please say I was disturbed by what Deputy Higgins had to say in the last debate in his contribution. He seemed to suggest that there was a tension or a stress between the Constable of St. Helier and his colleague Constables. Can I say that as far as I am concerned, and I am sure all of my colleagues, that does not exist, not in a bad way in any event. Sure, you know, we do support each other. We help each other. We advise each other. Of course, we do not always agree but we do work together and when we do not agree we do not fall out. If there are tensions and there are stresses they are healthy ones. So I just wanted to make that clear. There is no war between St. Helier and the other Parishes. I think that it is important that Members realise that. As I said, I shall be brief because many Members spoke effectively to this amendment during the previous debate and I remind Members that there have been many working groups over the years and Deputy Le Fondré reminded us of the working party that he chaired and reported in 2008 which said: “It recommends that the States should, like other ratepayers, be liable for Parish rates and Island-wide rates on all of their properties.” Then went on to say: “The difficulty associated with absorbing the additional unbudgeted costs should not delay implementation of the working party’s recommendations.” As I said in the previous debate, that is exactly what every other ratepayer has to do. I concur with what ... and I emphasise indeed with what Deputy Mézec had to say. Rates are not about the ability to pay. Rates are about owning and occupying property. Whether that is right or wrong that is what the situation is.

[11:30]

So if the States are occupying and owning property they should be paying their rates and paying the full amount of rates, including the Island-wide rate and that has been the recommendation of working parties and review groups over the years. Not to have paid the Island-wide rate would mean that we perpetuate the subsidy that the current ratepayers are giving to the States to the tune of around about £900,000. It is worth mentioning, I think, at this point that the Island-wide rate was introduced I think in 2008 but it was not introduced to meet the cost, or the full cost, of income support. It was there to make a contribution to States revenues and it happened because, as we were advised during the previous debate, the cost of welfare and institutions, people going into

homes, was met by the Parishes and that tended to put an unfair burden on the more populated southern Parishes, like St. Clement, St. Helier, St. Saviour, whereas the northern Parishes were paying not such a significant amount but they made their sacrifice. While the rates in those Parishes I just mentioned did come down because of the transfer to Island-wide rate, those in the northern Parishes, Trinity, St. John, St. Mary, went up. So the contributions were made. I am reminded of the mantra of the Minister for Treasury and Resources and the Council of Ministers of the taxes being broad, fair and simple, and I remind Members of something I said during the previous debate, which is a clear example and which I hope Members can relate to. Why is it that De La Salle College and Beaulieu Convent will have to pay the Island-wide rate, or pay rates indeed, but Victoria College and J.C.G. (Jersey College for Girls) do not? That is not fair. That is not simple and that is not broad. A number of Members, including the Minister himself, said that the States departments need to account for the space they occupy. They can only account for the space they occupy if they do 2 things; they pay rent and that already exists, Morier House, Maritime House, Cyril Le Marquand House, who pay rent to their landlord Jersey Property Holdings which is another arm of the States. Unless the States pay rates, Parish rates and Island-wide rates, that is almost meaningless because it will not give the States or the department a true indication of the cost of occupying their properties and owning their properties. This would not be an issue, if the States had been paying rates in 1971, 1991 or 2001 it would not have been an issue because there would have been ratepayers, the same as every other ratepayer, and when 2008 came along those rates would have been split into Parish and Island-wide rates. So really we are only putting the position as it ought to be in absolute fairness, not just to the States and departments but to the existing ratepayers and I make the proposition.

#### **The Bailiff:**

Is the proposition seconded? Is the proposition seconded? [**Seconded**] Does any Member wish to speak?

#### **1.2.2 The Connétable of St. Helier:**

Just briefly, I would just like to offer my support to the amendment that has been put to my amendment. Clearly the arguments I made for the States paying Parish rates from the working party report all apply to the States paying Island-wide rates as well and the chairman of the Comité has made those arguments better than I can and I just want to support the amendment and hope that we can move quickly onwards to a final decision.

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

I am somewhat troubled by this because I can understand the arguments of why you would want to make fairness in relation to different types of schools, but I think the effect, and I would like the Constable to explain, the fact that we are going to ask the States to pay the Island-wide rate that is going to effectively swell the amount of revenue that is going to be ... that is going to effectively going to ... the fact that you are going to have the Island-wide rate increases the total amount of quarters for Parishes and the Island-wide rate. Now, there is something ... somebody is going to pay for this and I am not sure where it is because effectively this cannot be circular money and I just would like the Constable, in his summing up, to try and understand and assuage any concerns that I have got. I think there is an unintended consequence here. I think there is. I cannot quite work it out. The unintended consequence is that the total amount of quarters is swollen and I think that means that the States end up paying more than they otherwise would because effectively it means that the Parishes have a greater number of quarters for both their Parishes and the Island-wide rates and effectively it means that the Parishes get a better deal. I am not sure that I have fully understood ... there is something not quite right here. There is something that somebody is ... I understand the reasons and the fairness issue of the States reflecting the cost of property and I agree

with all of that. I agree with Senator Ferguson on that but there is an unintended consequence of this which I do not understand and I am really concerned and the Constable, he is saying it is on the grounds of fairness but I think there is another unintended consequence which I do not think I have understood and if I am ... we are legislating. We are making decisions in principle and so the Constable, I would ask him to be absolutely clear about whether or not there is an unintended consequence that we have not previously been alert to, because I think there is and this issue, just to go through just like this, I am concerned about because I am not sure ... I know quite a lot about rates and I cannot figure this out. I really cannot figure this out and when I cannot figure it out I am concerned and I would like the Constable to unconcern me because there is something going on here. I can tell it.

### **1.2.3 Deputy M. Tadier:**

Probably the most bizarre argument I have heard is that I cannot think of any argument to vote against this so I get this strange feeling that something may not be right and perhaps the Constable would speak against his own amendment to tell me why it will not work when he sums up. I have given this some thought and my initial reaction in my earlier speech was that I am easy either way. It is a paper-based, desk-based exercise which says it is going to raise, as I see it, seek to raise £916,000 which the States will pay to itself, in one form or another, and that may go, for example, to Property Holdings. So Property Holdings will get an extra £916,000 a year if that did happen and then, of course, the Treasury might say: "Because you have got that extra money coming in we are going to reduce your budget by £916,000 and put that back into the central reserve and, of course, we need to find a way to pay for that. Again, I think it is negligible the benefit of that. You can argue it is the right thing to do but then I think when Senator Ozouf was talking it made me think that there is probably one overriding compelling argument, which is presumably there is no need for the overall take to increase, is there? I mean at the moment there is an overall sum which is sufficient, which is achieved by the Island-wide rate and what we are simply saying is that the States, currently, are not paying their rates therefore everybody else, included whether you are a private resident or even a business, is paying the States share. So everyone collectively in the Island, and if you are a business in St. Helier, and one would expect to hear from Senator Farnham on this because he has links to the business community. He stands up regularly to talk about businesses in the Island. Why should businesses in St. Helier or anywhere else, be effectively subsidising the States, who do not pay the Island-wide rate? So for me that argument is very compelling and even though it is going to be negligible, you could argue, when it is shared out among all the ratepayers, I would fully expect in voting for this today not to increase the envelope by £916,000 but for that sum to effectively be taken off everybody else's rate and for the Island-wide rate to come down proportionately, *pro rata*, for everybody else. So if the Constable can just confirm that summing up I think that would go to answer a lot of the questions that Senator Ozouf raised. I am very comfortable in voting for this because it seems the right thing and the consequential thing to do if we are to adopt Parish and Island-wide rates.

### **1.2.4 Senator A.J.H. Maclean:**

I have to say that I was surprised with the content of this amendment from the Comité. As outlined earlier, the letter that I received from them was what I described as a game changer with regard to the rates issue. They disagreed, it appeared, with the principle of the States paying rates on administrative buildings and on States property used for health and education purposes but now, here we have an amendment from the Comité that makes the States liable, not only to the Parish rates but also to the Island-wide rate. This amendment seems to me to contradict the content of the position outlined in the letter that I received from the Comité. Irrespective of this apparent contradiction, this is an important change being proposed by the Comité. It has real implications and cannot therefore be supported by the Council of Ministers. Firstly, it reduces States income by

around £900,000 per annum on a recurring basis. It does this because the total amount that can be raised from the Island-wide rate is fixed in law. The total amount that can be raised from the Island-wide rate increases each year by inflation and nothing more. The total amount was fixed in this way as part of the agreement when welfare transferred from the Parishes to the States. It was fixed in this way to limit the exposure of ratepayers to the increasing costs of the ageing population and it certainly achieved that aim. If the States starts to pay £900,000 of the Island-wide rate it follows that automatically other ratepayers must be paying between them £900,000 less in the Island-wide rate. Those other ratepayers will enjoy a cut in their Island-wide rate but due to the way in which the Island-wide rate is structured it is not all ratepayers who would benefit from this cut in the Island-wide rate. The ratepayers who will receive a rates cut are exclusively those who fall within the definition of non-domestic ratepayer. It is businesses who will therefore benefit, not homeowners. Business ratepayers will enjoy a 16 per cent cut in their Island-wide rate bill as an automatic consequence of this amendment if it is adopted. The Council of Ministers has never agreed to pay the Island-wide rate on its property. For that reason, the Medium Term Financial Plan makes no provision for £900,000 of additional expenditure, unlike the States paying rates, which we have previously discussed. There was a provision for that. The Comité suggest that funding in 2018 is sourced from contingency budgets or from underspends. Underspends and contingencies are not a magical money tree and they are under even more pressure following the decision that has just been taken. There is also no provision for this expenditure in 2019. In essence, about the only way to fund this expenditure would be from central growth in 2019. That means decisions about reducing because the majority of the central growth for 2019 is for health, it would mean potentially considering cutting some of that extra investment which, I would suggest, is not what we would wish to do. Now, here we are faced with the States paying Parish rates but also paying the Island-wide rate and again with no funding mechanism at all in place in order to be able to do it. A cost to the States over those 2, Parish rates and the Island-wide rate, of around £1.9 million is quite simply not acceptable. It is not prudent. It is not the right decision to make and for that reason the Council of Ministers cannot support this amendment. It delivers the rate cut, as I have already said, to business ratepayers but has no funding source and I would urge Members in the strongest possible terms to reject this particular amendment.

#### **The Bailiff:**

Does any other Member wish to speak? Then I call on the chairman to reply.

#### **1.2.5 The Connétable of St. Clement:**

Yes, the Minister would say that, would he not? But he is quite right, to a degree, that earlier this year, by a majority, the Constables indicated they were against the States paying rates.

[11:45]

Absolutely true but we have not changed our position. We have not changed our position. What we have said, subsequent to the Constable of St. Helier lodging his proposition: “Well, if the States are going to pay rates, if the States decide that will happen then it needs to be fair.” The Constable of St. Helier’s proposition is not totally fair because it does not include the Island-wide rate. The States would still be being subsidised by ratepayers, including some businesses, including the schools I referred to before, would be subsidising the States who are not paying the Island-wide rate. Of course, as Deputy Tadier implied, what will happen is that the cash amount of rates that people pay will come down. All ratepayers will benefit. All ratepayers will benefit, both the domestic and the non-domestic and the schools. Everyone will benefit. I must say to Senator Ozouf, there is no hidden agenda here. He is absolutely right. The number of quarters will go up depending on the value of ... or depending on the amount of quarters assigned to the States properties. But because of that everyone, including the States, will pay less than they otherwise

would. The amount of rate collected, as the Minister said during the previous debate, will remain the same so the level of rate goes down. For the domestic ratepayer, for the non-domestic ratepayer and the States will pay less than they otherwise would have done. I maintain the amendment.

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

Can I ask a point of clarification? I am grateful for the Constable to having confirmed but would he confirm, therefore, what he is saying because the Treasury has issued a comment which I had not read, but I have now read and I understood, is he confirming that there is going to, therefore, be a transfer and a benefit to Parish ratepayers overall as a result of this decision? The States is the same. The States pays or not pays but basically the effect of this is a beneficial situation for Parish ratepayers. That is the effect of it. Could he confirm that that is the case because if it is I am against?

**The Connétable of St. Clement:**

That surely is a statement of the blooming obvious. If there are more quarters, therefore more ratepayers, all ratepayers have got to benefit. That is what this whole debate over the last 30 years has been about.

**The Bailiff:**

Blooming is in the sense of a blooming flower, Connétable, is it?

**The Connétable of St. Clement:**

Absolutely.

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

Blooming unfairness.

**The Bailiff:**

Right. All Members in favour of adopting the ... the appel is called for. I invite Members to return to their seats. The vote is on whether to accept the amendment of the Comité des Connétables to the Constable of St. Helier's proposition and I ask the Greffier to open the voting.

<b>POUR: 23</b>		<b>CONTRE: 19</b>		<b>ABSTAIN: 0</b>
Senator S.C. Ferguson		Senator P.F. Routier		
Connétable of St. Helier		Senator P.F.C. Ozouf		
Connétable of St. Clement		Senator A.J.H. Maclean		
Connétable of St. Lawrence		Senator I.J. Gorst		
Connétable of St. Mary		Senator L.J. Farnham		
Connétable of St. Ouen		Senator A.K.F. Green		
Connétable of St. Martin		Deputy J.A. Martin (H)		
Connétable of Grouville		Deputy of Grouville		
Connétable of St. John		Deputy of Trinity		
Connétable of Trinity		Deputy E.J. Noel (L)		
Deputy G.P. Southern (H)		Deputy of St. John		
Deputy J.A. Hilton (H)		Deputy S.J. Pinel (C)		
Deputy J.A.N. Le Fondré (L)		Deputy of St. Martin		
Deputy K.C. Lewis (S)		Deputy R.G. Bryans (H)		
Deputy M. Tadier (B)		Deputy of St. Peter		
Deputy M.R. Higgins (H)		Deputy R. Labey (H)		
Deputy J.M. Maçon (S)		Deputy M.J. Norton (B)		
Deputy S.Y. Mézec (H)		Deputy T.A. McDonald (S)		
Deputy A.D. Lewis (H)		Deputy G.J. Truscott (B)		

Deputy S.M. Wickenden (H)				
Deputy S.M. Bree (C)				
Deputy of St. Mary				
Deputy P.D. McLinton (S)				

### **1.3 Draft Budget Statement 2018 (P.90/2017): amendment (P.90/2017 Amd.) - as amended**

#### **The Bailiff:**

We now return to the proposition of the amendment of the Connétable of St. Helier which, as amended, is open for debate. Does any Member wish to speak?

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

I am going to, obviously, maintain my support for the Constable, I cannot not, but I do so now with a very concerned and heavy heart because effectively the effect of the amended proposition is going to mean that effectively we are now transferring resources to the Parishes and that means the Parish rates ... that means the mutual of the public, the overall Island, is going to pay for effectively lower Parish rates. That is the effect if we do not change, effectively, something else. So I am going to, of course, support the Constable of St. Helier but I think that nobody ... I must admit that I had not read the comments of the Minister for Treasury and Resources on the last amendment. I know the amendment has been adopted. I urge Members to read that amendment, if they did not hear the explanation of the Minister for Treasury and Resources. I know a number of Members were not in the Assembly. I do not think it is ... we are going to have to fix this because there now is an unfairness. We have now created a double unfairness. But 2 unfairnesses do not make ... for me to change my decision of the bigger unfairness concerning the situation for St. Helier, St. Saviour and St. Clement and St. Brelade. But we have just basically voted for now another unfairness and a transfer of resources from the public to the Parishes. We have done that ... the Constable is remonstrating but the Treasury is right in what they are saying and here am I, having criticised the Minister for Treasury and Resources. He is right. His analysis is correct and if Members look at the amendment, just so that we understand what we are voting for, if they look at the comments that the Minister for Treasury and Resources made on the last amendment, it is put in graphical form and it is very clear. We have created a further unfairness which we are now going to have to find a solution to fix but fixing it is easier than ... the worst unfairness would be to leave the Constable of St. Helier on the unfairness position but I just warn and flag Members of the effect of this, which is now a double unfairness, which is now a new unfairness that we have just basically voted through. It is fair for the ratepayers to pay for the Beaulieu School and all the rest of it. I understand all that. But effectively the overall macroeconomic situation is, is that we are transferring money to the Parishes that we did not intend to do so unless we changed the Island-wide rate. That is what the effect of this is. That is what the experts outside have told me. I have read the Treasury amendment. That is the effect of it. But, okay, we are going to do it. It does not mean to say we should not support the Constable of St. Helier dealing with that unfairness. Now, there are some Constables that are shaking their head but they “know” what I am saying is true because it is **[Interruption]** ... well, it is set out in the Minister for Treasury and Resources’ amendment; those comments to the amendment. The Minister for Treasury and Resources was correct. Now, somebody is not ... the facts are the facts. We are transferring money from the public to the Parishes. I am going to support the amendment because it is a less unfairness than the unfairness of the Parishes but I think we ... this is a good example of legislative scrutiny not quite being ... making decisions without people quite understanding, perhaps, what the full implications are which is a shame.

#### **1.3.2 The Connétable of St. Clement:**

I really despair of Senator Ozouf sometimes. He claims to be an expert on rates and then comes out with nonsense like that.

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

It is true.

**The Connétable of St. Clement:**

The decision that we are about to make provides no additional money to the Parishes, not one penny. The rates will remain precisely the same unless the Parish rates are increased for some reason other than what we have decided upon this morning. The Parish rates will go down. Because of the proposition of the Constable of St. Helier the States pay Parish rates. The rates due by non-domestic ratepayers will go down because of a decision of the States to accept the amendment that the Comité des Connétable has made but there is no money, not one penny - not one penny - being transferred to the Parishes. The Parishes will collect in rates what they need to run and administer the Parishes. I endorse the proposition as amended.

**1.3.3 Senator L.J. Farnham:**

I am reminded that taxpayers are generally ratepayers and ratepayers are often taxpayers at the end of the day so in the interests of all Islanders can I ask that we now get on and review the rates because there are some businesses that, in my opinion, are underpaying and some that are overpaying. It has not been recalibrated for, I think, decades now and let us get on and do that and all move on as quickly as possible and perhaps the Treasury and the Parishes would undertake to get on with that work as soon as possible please.

**1.3.4 Deputy M. Tadier:**

I think I have got to echo the comments from the Constable of St. Clement and it is no wonder that the Island is in the fiscal position with a black hole when we had Senator Ozouf at Treasury, when he cannot even understand the basic concept of the rates law. The strange thing is he stood up and made an argument which was germane to arguing against the States paying Parish rates because that does give more money to the Parishes ... the Parish rates does or at least it equalises ...

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

I was arguing against the Island-wide rate, not the Parish rates.

**Deputy M. Tadier:**

Exactly and it simply does not make sense because it has been explained by ...

**The Bailiff:**

Just a minute. Senator, you have made your speech. It is now the turn of Deputy Tadier.

**Deputy M. Tadier:**

He is sitting in front of the Minister for Treasury and Resources who just stood up a moment ago and said the net sum is not going to go up and the comments of the Council of Ministers to which he refers shows the sum, it is £12.4 million it says on the images, and the sum that I quoted earlier, £916,000, they quote that as £0.9 million. That is the same sum of money so the argument simply is not valid. So I do not know what this game changer is. Some people have clearly voted against this for some overwhelming reason, not quite enough to get a majority, yet they have not been able to articulate what their argument is. It is just some kind of niggling feeling that they have that this is not right and it seems clearly mathematical that the Parishes are not going to get any more money because the money that they get from the States will be reduced correspondingly unless the Parishes try and trick us somehow. Unless they say: "Well, what we are going to do is maintain the

same rates for everyone else” and do that but I do not think they can even do that legally even if they wanted to because it is not within ... I am not suggesting they would anyway. So unless the Senator is suggesting that I do not know why we are making such a mountain out of a molehill. But just to respond to Senator Farnham’s comments. Ratepayers and taxpayers are not the same and I think my colleague, Deputy Mézec, outlined it correctly because everybody in the Island, if you live somewhere you are a ratepayer. You are either a ratepayer as a tenant or as an owner or an owner/occupier so you pay your rates and that is irrespective of how wealthy you are. The other compelling argument that Deputy Mézec made earlier, which also applies to the Island-wide rate, is that, yes, there will be a corresponding amount that the States has to pick up, probably from taxation, although the States does not get all its revenue from taxation either, and that is, to a certain extent, progressive or at least it is not as regressive as the rates. So there will be people out there who do not pay any tax who are ratepayers who will see their rates bill go down but they will not see a corresponding increase in their taxation and that will be certainly welcome for those individuals in all of our Parishes and all of our constituency so there are some great pros to this and I have not heard of one compelling articulation of a negative argument against this apart from the fact that there may be an administrative burden for very little tangible financial increase but the equity argument surely has to be the one that trumps all of those, whether it is for Parish or for the Island-wide rate.

### **1.3.5 Deputy K.C. Lewis of St. Saviour:**

Speaking as a St. Saviour Deputy, Members will be aware that we have 11 of the Island schools, either within the Parish or on the borders and we do take the safety of school children and students very seriously indeed. We have done an awful lot of work lately with crossings, junctions, *et cetera*, both through the Parish and working with the Department for Infrastructure but there is much more work to do and I have been assured that the extra money coming in from rates will be put towards this. So I will be supporting the amendment by the Constable of Helier.

### **Senator L.J. Farnham:**

May I just clarify that when I used the term “tax” I was not referring to income tax but just tax in general?

### **1.3.6 Deputy T.A. Vallois of St. John:**

Hopefully I can articulate to Deputy Tadier why I voted against the last amendment appropriately for him and hopefully we can understand. I do not profess to be an expert in rates, I am not going to say that at all, and I heed the advice and the sensible knowledge of the Constables quite a lot of the time. My concern here, I am a representative for the public, particularly for the members of the public that live in St. John. The ratepayer and the taxpayer are the same people.

[12:00]

So if I start from that very premise, arguing about Island-wide rates and taxpayers and ratepayers, we are talking about exactly the same people that are paying the end result, yes? Okay, Deputy Le Fondré can correct me when he speaks. So I will go on that premise because that is how I understand it. We are not in a position where the Island-wide rate, if I understand it, is 60 per cent non-domestic and 40 per cent domestic, is that correct? So if the States are paying the Island-wide rate, the taxpayers - sorry, not the Government - are paying the Island-wide rate, they will be paying a non-domestic rate and therefore you will technically have more domestic payers paying the Island-wide rate. That is how I have understood it. I am happy for anyone to correct me, if that is wrong. I am more than happy for people to correct that. That is why I voted against that amendment. So I hope Deputy Tadier can understand that. Now I feel in an extremely difficult position, because although I support the Constable of St. Helier, I cannot, as a States Member in all truth and honesty, unless I am given an absolute clear explanation from somebody else, support a



system that, in my view, is completely convoluted and wrong and ends up hitting the purse of the domestic payer because that domestic payer ... just to go back to my explanation, that is how I understand it. So if someone can explain to me, non-domestic will be the way that the States buildings are paid for under the Island-wide rate, if I am correct in that.

**The Bailiff:**

Deputy, do not leave questions for anybody in the Assembly to answer.

**The Deputy of St. John:**

No, I am putting the question, because anyone else that wants to speak can either correct me or put it in the way they see correctly. This is why I am putting this out here because I am not sure I can actually vote on the final proposition now, even though I was fully supportive of the Constable of St. Helier before. The way I see, the way I interpret it, the way I have heard from Members and what I have read, and what I know of the rate system so far is what we have done is created an even more convoluted system, which again hits the very people we represent, whether it is Island-wide, whether it is taxpayers, whether it is ratepayers. For me I would like somebody to absolutely clearly make it known exactly what it is, who the end player is in this game of who pays what, and then I will be able to make a decision as to whether I can continue to support the Constable of St. Helier. Thank you.

**1.3.7 Senator A.J.H. Maclean:**

I can understand why there is some confusion. It is not that straightforward with regard to rates. I will try and put hopefully some clarity into the issue of the Island-wide rates, which I referred to when I spoke earlier on the amendment. Effectively the Island-wide rates, the way they are structured, means that not all ratepayers will benefit from the cut because of the definition of non-domestic. It means, in effect, with the calculation that it is business ratepayers who will benefit to the tune of 16 per cent as a result of the decision to support the last amendment. So to be clear, it is the business ratepayer who will see a 16 per cent cut. The other point that I think is important to make in all of this is that it is effectively taxpayers who are going to fund both the Island-wide rate that has been approved with the last amendment and also, for that matter, the States paying rates on its buildings. At the end of the day, it is the taxpayer that is having to fund what is now £1.9 million because of the amendment that was just accepted on the Island-wide rate; where it goes to is, in a sense, almost a secondary issue. The fact it is going to some businesses to the extent of 16 per cent is almost a secondary issue. The fact of the matter is the taxpayer is paying for it, I was trying to paint the position earlier about the challenges this will create from a Treasury point of view, and it is not just a £900,000 issue now, it has just been made twice the problem. It is now £1.9 million recurring that we have to fund as a result of this amendment being approved. That, I suspect, creates a challenge for most Members when we realise what we are facing in terms of funding pressures. That is £1.9 million recurring that has to be funded, that is being funded by taxpayers into the decisions that have been taken so far this morning. I therefore find myself in no position, despite the fact I still support the principle of the States paying rates and I have no doubt from the voting this morning that other Members feel the same, I cannot possibly support that, as I said earlier on this morning, without a funding mechanism but it is even worse now the decision was taken of the Comité's to add a further £900,000 to that cost. I would urge Members to reject, unfortunately, the proposition of the Constable of St. Helier and to allow us the year to do the work and to make a solution happen. There is a clear message that has come from Members of this Assembly of the direction of travel. A clear message. The revaluation issue is being worked on by Treasury. It will be completed next year, it is not that straightforward to do. In the last Budget we got the basics in and we need to develop the regulations, which is the work that is being undertaken at the moment. It makes much more sense, and I am sure the public would support this, that we

take the final year to get this right. We cannot justify £1.9 million of recurring expenditure without a funding source. I would urge Members therefore to reject the Constable of St. Helier's proposition.

### **1.3.8 Deputy J.A.N. Le Fondré:**

I rather disagree with what the Minister for Treasury and Resources has just been saying, to be honest. As a starting point, this has been going on for decades. The committee I chaired was 2008, we are now 2017. For Treasury to say we need another year is getting ridiculous. That is starting point number one. The trouble is having said it was 2008 my memory on rates is limited but what I am going to say is firstly ratepayers and taxpayers are categorically different. Let us use a scenario, somebody on income support will be cushioned from G.S.T. (Goods and Services Tax) and will not likely pay income tax but they will probably be a ratepayer, it will depend on circumstances. So therefore one can have people who do not pay tax but who will pay rates. So it is a different category of people, it is not exactly the same pool. There will be a lot of overlaps but there will be people who will be ratepayers, who are not taxpayers. Second point - and this is where I am going to definitely want to leave this to the Connétable to clarify for me - the view I have always taken on this, it is not a highly convoluted system, all we are doing is adding another ratepayer into the pool. It should not be difficult. We are all ratepayers here, we brought somebody else in and we have expanded the pool. Now, where I am going to pause is I am starting to lose the plot slightly between domestic and non-domestic and who is paying what. If I just apply it to domestic, my take is that the States will be paying a Parish rate, because they are going to be paying all rates, and therefore there will be an impact on Parish ratepayers because we have an extra person in and therefore we are divvying up the amount among more people. Therefore their rates will be lower, fractionally. I am stopping there because I am getting lots of nods from the Connétable so that hopefully means I have understood it. So therefore it is not complicated, ratepayers and taxpayers are different and the only thing I will say - and I was not here yesterday because of a mild illness - is my understanding is that even with this proposition at this moment if it goes through in respect of this Budget, we will be raising more money net in total than the Minister for Treasury and Resources originally intended because of the amendments brought from the Connétable of Grouville. I may be wrong, maybe there is an incremental contribution to it rather than the full amount but there has certainly been an incremental increase in funding. That is less of an issue for me, I go back to the very fundamental points that the working party from Treasury in 2008 said: "The States should, like other ratepayers, be liable for Parish rates and Island-wide rates on their properties." I am going to stop there because hopefully that clarifies the position and I will be supporting the amendment. I urge everybody else to do so. It is time.

### **1.3.9 Connétable J. Gallichan of St. Mary:**

I will try and make things a bit clearer. Probably totally confuse people even more. The previous speaker has said it quite simply. Firstly, there is no extra money. There is not any extra money at all. What we are looking at here, and various reports have said - including the one that the previous speaker chaired in 2012, was it? Some time ago - that the States had to understand the true cost of doing business. In other words, what their properties cost them. That all had to be part of the equation. We have heard already that in other areas that happens, even if does what we could call a circular payment, for example, in the payment of rental for some properties to Property Holdings or whatever. So we understand that principle has already been established. What will be seen by today's amendment, if it goes through, is that for the first time across the Island all non-domestic ratepayers would be contributing to the same degree. That is simply what it is and the States would be a non-domestic ratepayer. The Island-wide rate ... Deputy Vallois did not quite have it right, the current split is that it is 55 per cent for domestic and 45 per cent for non-domestic. So that 45 per cent does not change but the number of ... that is what I said, 55 domestic, 45 non-domestic and

that is what it says in the report. Sorry, I am just being sidetracked. Anyway, there is a 45/55 per cent split. That split does not change by this proposition. What it means is, as Deputy Le Fondré said, there is an extra ratepayer who has quite a large proportion of that amount so proportionately the other non-domestic ratepayers will be paying slightly less. But collectively they will be paying quarter for quarter the same contribution toward the Island-wide fund. For the first time ever we have parity. We have never had that before. That is a true cost of business. Every other business in this Island does it. There is no opt out clause. The rates law does not make provision for people to pay part of their rate but not pay the Island-wide rate. The system we have in place currently cannot do that. It would be a whole new way of looking at things. There is no hidden agenda here. It is simply mathematics. It is simply adding in that extra ratepayer and dividing the total amount across a different pool of ratepayers, but the amount does not change. There is no extra money and there certainly is no unintended consequence. If you look at it mathematically, analytically, there is no hidden agenda, there is no unintended consequence, it is simply a matter of mathematics. The costs will have to be borne, but then every other business finds that cost and that is what is meant by making the States understand the cost of doing business in this Island. Thank you.

#### **1.3.10 Senator I.J. Gorst:**

I often come into this Assembly healthy, happy and with a bounce in my step. I do not always leave that way. Sometimes I leave with, others might call it, a cracking headache by the end of the day. Sometimes I am in that position even before lunch. A lot of Members have tried to understand what the previous amendment to the Constable's original amendment does. I am particularly pleased to follow the Constable of St. Mary because she was quite right. What that amendment does is reduce the amount that every other non-domestic ratepayer's contribution towards the Island-wide rate will be. Treasury have been criticised a little bit during the course of the day but if Members were to look at their comments to the previous amendment I think it makes it quite clear. The States have now been added in as an extra ratepayer to the tune of just under £1 million.

[12:15]

That means the £5.6 million, which is ... the amount is not set but the percentage is set, is reduced to £4.7 million that will be collected from all other non-domestic ratepayers making up the Island-wide rate. The amount going back to the States from the Island-wide rate remains at £12.4 million. Therefore the States has to find an extra just under £1 million because they become a ratepayer into the Island-wide rate pot. I hope that is clear. The question is then, if the Comité have provided a person to work with the Treasury on finding ultimately a way through this, be it the issue of attributes, be it the revaluation, be that in St. Helier or St. Saviour or be it more broadly, what needs to be found and dealt with is not only the Constables' original position, which has been a position which this Assembly has supported in principle for decades, but also this extra amount which is whereby the States becomes a non-domestic contributor to the Island-wide rate. The reason the Minister for Treasury and Resources was strongly against it - and I am sorry now I did not have the opportunity ... I was a bit slow on pressing my button there - was because the Island-wide rate was set with the introduction of income support. That was an agreement between the Assembly and the Parishes. We have heard of late one or 2 Parishes continuing a grumble ... I think it was the Constable of St. John complaining about how that was dealt with and the increase in rates for his ratepayers. But I think broadly the Island, be that taxpayers or ratepayers - they sometimes are the same, not always because sometimes ratepayers are not taxpayers - has worked well because it has capped the cost to ratepayers in the mechanism that is the Island-wide rate. That cost has been capped. It can only be increased in line with the law and it has the percentage in there and it has the increase, I think it is in line with inflation. While at the same time during economic downturn rightly what we call automatic stabilisers has put a lot more money into the Social Security budget

to support those families who struggled through the economic downturn and we are now seeing that again reduce as more people are getting into work and as their situation is improving. So I think that was fair. What the previous amendment has now just done is ridden a coach and horses through that agreement. I sense that Members wanted to do that because of the reason that the Constable of St. Mary made in her speech about fairness across the entire rating system. That is what Members have voted for. But what that will mean is that the working group that the Treasury will continue with... because again I revert back to my “the writing is on the wall” and perhaps today is the day is that now they are going to have to deal with both of these issues. One of the ways perhaps of dealing with it will be looking at those percentages that are in the legislation. I am pleased to see the chairman of the Comité nodding his head positively because I think that is right. There is now a broader issue to deal with. It might be argued by some Constables that that is the fairest way and the fairest approach that we are going to now have to deal with the broad issue. But it will need to be dealt with and I get the sense that it is not just going to be one simple approach. It might be that dealing with the percentages, it might be some revaluation of commercial rates looking at attributes. I do not, as I sit here, have a good final-form solution to doing that? But what I do sense is that Members want to put this issue to bed. They want the States to pay rates. It is interesting that Deputy Le Fondré says back in - not sure what year it was - he chaired a panel that said the States should pay rates. With the greatest of respect to him, that probably was the easy bit. The question was then once that is agreed how are the books then balanced and what is a fair mechanism for dealing with that. It is that latter point that this Assembly has struggled with, the Treasury Departments and Ministers have struggled with throughout those decades. If the Assembly is going to agree this amendment today, and I sense they are, for all the reasons that the Constable will eloquently say they should in his summing up, what we do need to do is commit ourselves to working across the Parishes, across the Comité, with Treasury, with Ministers to address fairly, and that is really important - fairly - how it is ultimately funded. I hope that has brought some clarity and therefore I will sit down.

#### **1.3.11 Deputy A.D. Lewis of St. Helier:**

I am very hopeful that what the Chief Minister has just said there was wholly supportive of this proposition, indeed it sounded like that to me; so thank you for that. I am totally supportive of my Constable with this regard. The thing that perplexes me, as it often does in this Chamber... and many of you will say the same thing. It takes us an awful long time sometimes to make these decisions. We have the opportunity today to make it, keep to it and do it, because if we do not I do not think it looks that great to our elected public, not least my constituents and my fellow Deputies' constituents in St. Helier. So I would urge Members, this is an opportunity to demonstrate to the public that we are getting on and doing something that we agreed to do a long time ago. That it sounds like the Chief Minister almost supported it just now. I would take that as a green light, ladies and gentlemen, Members, to vote for this, put it to bed finally and move on because we have been talking about it for far too long and, frankly, it is getting a little bit embarrassing. Please support this, support the Constable of St. Helier. St. Helier is a great town. Things can happen and move on as a result of this change and all Islanders benefit, not just those in St. Helier. So please support the Constable in this and I would urge Members to move on swiftly. I cannot say the next item because that would be proposing something which I should not at this point. But please let us move on and support this and get it finally sorted once and for all.

#### **1.3.12 Deputy C.F. Labey of Grouville:**

Very briefly. I came here today to support the Constable of St. Helier in his quest to get the States to pay rates but in the summing up I would like him to explain to me now that we have passed the previous amendment of the Comité des Connétables, when we originally came up with this agreement that the Island-wide rate would be a far fairer way of addressing this issue rather than

having Parish welfare and we went into low income support. It was to help the ... most of the time the rural Parishes who if there was an elderly person in the Parish who needed care, if there was one or 2 it would have a huge impact of cost to the Parish and the Island-wide rate, I thought, was an agreement *quid pro quo* and a more even way where we could all budget for these issues. So the States took on elderly care. Now that we have passed the previous amendment I would like some assurances that this agreement that we originally made is not going to be reneged in some way or it is not reneged upon by voting that way. That is why I felt I could not vote for that because it was not clear to me. So in the summing up I would like that made crystal clear please.

**The Bailiff:**

Does any other Member wish to speak? If not, then I call on the Connétable of St. Helier to reply.

**1.3.13 The Connétable of St. Helier:**

This time last year we were getting on very well and then somebody - I will not say who they were - dragged across the track of this debate a very smelly red herring about the rating of Parish roads. Crown Officer advice was called for, people scratched their heads, and suddenly the whole thing was in danger of being thrown out. I hope the Members will not have been put in a similar situation by some of the speeches that we have heard on the amendment as amended by the Constables. Just to be absolutely clear to Members who have not read the paperwork, and it does go back many years. Even the chairman of the panel was not sure exactly when he sat on the panel. But the working party that Deputy Le Fondré so ably chaired anticipated exactly the questions that Members had been asking today about what will happen to the Island-wide rate. What will happen to the split between domestic and non-domestic? Who will benefit? That is all set out on page 24 of P.40/2013, which was the last time I put the working party's recommendations before the States in ... I forget which iteration of the proposition it was. It was in relation to the Business Plan, I think. I am just going to read through those findings of the working party, and this is work that should have been picked up by the Minister for Treasury and Resources and his team. I do not know why there is this discussion today about having to move forward the working party and so on, when the working party 10 years ago did a lot of this work. I am surprised that Treasury officials had not picked up on it. This is what the working party said: "If the States were to pay I.W.R. (Island-wide rates) parishioners would benefit by not having to contribute a total of £845,000 [that is how much it was back then] to the I.W.R. fund. Thus, as noted above, the amount payable by the States in respect of Parish rates is estimated to be £805,000. The States would also have to pay an estimated £845,000 for its I.W.R. contribution resulting in a total cost of £1,650,000 based on 2006 rates base data." The report goes on: "The above estimate assumes that the overall Parish revenue requirement and contribution to the I.W.R. fund will remain constant as there is no increase in their operating costs and the States contribution results in a *pro rata* reduction to all ratepayers, including the States." So because there is another ratepayer, as Deputy Le Fondré ably said putting in the pool, there are more ratepayers contributing to the I.W.R., so everybody, including the States, sees a decrease in their contribution. Then it goes on, and remember we are talking about 2008: "Further detailed work is required to analyse the split between ministerial departments."

[12:30]

"However departments that have property hungry services such as Health, Education and Transport and Technical Services [as it was then] will bear the vast majority of the costs either directly or through a recharge from Property Holdings. The working party recognises the competing financial pressures within the States. The cost of implementing these proposals is not included in the current States forecast, but the working party considers that this should not, in itself, be a reason for delaying implementation." This is the implementation, remember, that Senator Le Sueur, the then Chief Minister, said would be put in place 10 years ago. There are then pages more. I just advise

Members who are unsure about how we got here and where we need to go to, to go back to the working party that did the work more than 10 years ago, and they have set out a roadmap for reviewing the rating system, and if necessary, adjusting that contribution between domestic and non-domestic in the I.W.R. so that the people we are concerned about here principally are protected from any increase in the number of ratepayers. But this is not, as some Members were suggesting I think ... it should not be surprising. It should not be surprising to the Minister for Treasury and Resources when his officers, they were probably different then, but they did this work 11 years ago. They need to pick up that work now and take it forward to make sure, in the words of Senator Farnham, he said: "Is it not time we reviewed the rating system?" I think he is probably right. There have been a lot of calls for revaluation. We know that traders, for example, in Colomberie, their assessments based on the rentals of the day, back in 2001, and of course their assessments - because that is how the attributes were originally worked out - was based on rental values. They have gone right down through the floor, whereas the commercial rents being charged on the Waterfront are much higher. I accept Senator Ozouf's argument. We do need to revalue at intervals and there does need to be a review by the Treasury Department. When Senator Ozouf started speaking on the amendment as amended, I wrote down "with friends like these". But he came back to the ... because he started talking about a double unfairness, and I was really struggling here because what has been clear for years is that the States refusal to pay rates, their exemption, creates unfairness for everyone, as well as other problems I discussed before. The problem that the States really do not know how much their business activities cost because they do not have any true sense of the cost of doing business. But he did say that the split in the I.W.R. can be reviewed and, of course, it can. In fact, the Constables make a decision on that every year about whether to change that split. That is something they need to discuss. The chairman spoke next. What he did not mention, one of the advantages - it has not been mentioned yet - of keeping this all together is that every other ratepayer in Jersey pays both Parish rates and I.W.R. If the Constables are asked to process States rates payments without the I.W.R. it creates a problem for our computer systems. There is going to be a bill because the software, if the Constable's amendment had not been accepted and the Parish rates had gone through unamended, then we would have had to have split our computer systems and deal with the States properties differently from the way we deal with others. I suppose you could have argued, not only would that cost the Parishes money but it would also, if you like, keep the unfairness because a business that, say, for example, the Jersey Development Company running a car park, the underground car park on the Waterfront, they pay I.W.R. and they pay Parish rates to run that car park. Patriotic Street Car Park does not pay any rates. If my proposition had gone through unamended by the Constables then we would be asking Patriotic Street to contribute to the Parish rates but not the I.W.R. and where would be the logic in that? Where would be the fairness? So it really does make sense to keep rates as a single bill, which is then divided up between these 2 sources of money. I am going to pick up a couple of other speakers who asked questions. The Deputy of St. John said that ratepayers are the same as taxpayers. I think several times during this debate it has been clarified that that is not the case. Taxpayers pay tax based on their ability to pay. Ratepayers do not. If you are very poor and you live in a big house, you have a big rates bill and that is a problem for people who want to stay in their own homes, often they live in the countryside so these are going to be rural ratepayers who are getting hit by an unusually large bill, regardless of their income. They may well be on a pension, they may well not be working. So it is unfair on them to keep this current system going. I am going to jump forward there to the Deputy of Grouville, who asked about the situation of the welfare transfer. She is quite right than when welfare was transferred from the Parishes to the States, I.W.R. was the agreed sum, Island-wide rate would be paid towards the cost of welfare. It would only increase, and we put it up every year by cost of living, what we were told at the time and what we have seen come to pass is that the cost of welfare, particularly of elderly care, residential care, was going through the roof and if a rural Parish had, say, 3 elderly people who

needed to go into residential care, that could absolutely cripple their finances. So it was not just about taking the welfare burden off St. Helier, St. Clement and St. Brelade. It was about protecting the rural Parishes from the mounting costs of elderly care. The I.W.R. is that contribution and it is not going to be changed. In fact, if the States come on board and may pay the I.W.R. they are getting more ratepayers in that pool. That whole process, as I have said, is going to be reviewed by Treasury. Senator Maclean really went to town on the doubling of the bill. My modest proposal was that the States pay Parish rates. We have now agreed to amend that so the States will pay the whole rates bill including the Island-wide rate, and so it has put up the cost of that from about £900,000 to £1.9 million. But I go back to what I said when I introduced my amendment. The States has got £374 million more income than it thought it had. Now the Minister for Treasury and Resources said that is not for spending. Well, the principle remains that if it is right that the States properties should be rateable then let us get on and pay the rates that we are due to pay. Because one of the problems I have if this matter is not put to bed, well, clearly it is going to be I am going to have to come back next year and ask for this year's money or next year's money, rather. We have luckily been able to get this year's money paid. It is going to be an annual process, like an annual convention. The Constable of St. Helier is going to come forward and try and get the money and we are going to have to go through this cycle every year. The problem I see is that ratepayers across the Island are going to tire of this. They say: "We pay our rates every year. We pay our Parish rates. We pay our share of Island-wide rates. Why should we go on paying rates when the States have once again failed to deliver?" So Members who have called me to stop refuse collections, that came up earlier in the debate, that is not a helpful thing to do because ... and I am glad they did not go too far down that track because it goes back to a former Minister for Treasury and Resources - I am not going to embarrass him by naming him - who said: "Tell us what the cost of services is and we will give you that money instead of paying rates." That is not what rates are for. Rates is our form of local taxation. It is like the council tax in the U.K. It is a property tax. It does not relate ... it helps pay for the services but you cannot get out of paying your rates by saying: "I do not want my bins collected anymore." It does not work like that. Constables probably get that letter every year. I know I do. The solution, if this does not go through, is not to stop providing Parish services. What it would mean is saying to the public that once again we do not have a fair system of local taxation, we are going to carry on with this exemption for the States of Jersey, we are going to keep that ... we are not going to have a level playing field between the schools that the chairman of the committee mentioned. Private schools will go on paying rates, States schools will not. Car parks, public car parks will not pay any rates, private car parks will. That unfairness will continue to be a problem for the Island. I think I have answered most of the direct questions. I do not agree with the Chief Minister that this ... I think he said this was a coach and horses proposition. This is not, as amended, a coach and horses proposition. It is the same proposition that Senator Le Sueur said we would have firm recommendations for 10 years ago. I urge Members to accept it so that we can move on. The working party, after all, will now have a real will, the Treasury Department officials will have to go to work because they will not have any choice. Why give them another year? We have been giving them another year for 11 years. I think it is time we said, no, enough is enough. The States are going to pay rates like every other ratepayer and we rely on the Minister for Treasury and Resources, with his officials, to have a review of the rating system and if he thinks he can make it work better let him bring forward proposals.

**The Bailiff:**

The appel is called for. I invite Members to return to their seats. The vote is on the amendment of the Connétable of St. Helier as amended. I ask the Greffier to open the voting.

<b>POUR: 40</b>		<b>CONTRE: 2</b>		<b>ABSTAIN: 0</b>
Senator P.F. Routier		Senator A.J.H. Maclean		
Senator P.F.C. Ozouf		Connétable of St. Peter		

Senator I.J. Gorst				
Senator L.J. Farnham				
Senator A.K.F. Green				
Senator S.C. Ferguson				
Connétable of St. Helier				
Connétable of St. Clement				
Connétable of St. Lawrence				
Connétable of St. Mary				
Connétable of St. Ouen				
Connétable of St. Martin				
Connétable of Grouville				
Connétable of St. John				
Connétable of Trinity				
Deputy J.A. Martin (H)				
Deputy G.P. Southern (H)				
Deputy of Grouville				
Deputy J.A. Hilton (H)				
Deputy J.A.N. Le Fondré (L)				
Deputy of Trinity				
Deputy K.C. Lewis (S)				
Deputy M. Tadier (B)				
Deputy E.J. Noel (L)				
Deputy of St. John				
Deputy M.R. Higgins (H)				
Deputy J.M. Maçon (S)				
Deputy S.J. Pinel (C)				
Deputy R.G. Bryans (H)				
Deputy of St. Peter				
Deputy S.Y. Mézec (H)				
Deputy A.D. Lewis (H)				
Deputy R. Labey (H)				
Deputy S.M. Wickenden (H)				
Deputy S.M. Bree (C)				
Deputy M.J. Norton (B)				
Deputy T.A. McDonald (S)				
Deputy of St. Mary				
Deputy G.J. Truscott (B)				
Deputy P.D. McLinton (S)				

**LUNCHEON ADJOURNMENT PROPOSED**

**The Bailiff:**

The adjournment is proposed. The States will now stand adjourned until 2.15 p.m. this afternoon.

[12:41]

**LUNCHEON ADJOURNMENT**

[14:15]

**1.4 Draft Budget Statement 2018 (P.90/2017): third amendment (P.90/2017 Amd.(3))**

**The Bailiff:**



We now resume debate on the Budget amendments. The next one to take is the third amendment lodged by Deputy Mézec and I ask the Greffier to read the amendment.

**The Deputy Greffier of the States:**

Page 2, new paragraph (e) – After paragraph (d) insert the following new paragraph – “(e) to agree in principle that from year of assessment 2019, the 20 per cent personal income tax rate should no longer be available (except for H.V.R.s (high value residents) for whom no change is proposed) and personal income tax should instead be charged at a rate of 25 per cent - with all personal income taxpayers being entitled to the allowances/reliefs which are available to marginal rate taxpayers when calculating the amount of income taxable at the rate of 25 per cent - and to direct the Minister for Treasury and Resources to bring forward the necessary legislative changes for debate by the Assembly during 2018.”.

**1.4.1 Deputy S.Y. Mézec:**

Can I start just by offering my thanks to the staff at the Treasury Department, who were helpful in helping me get all the appropriate information, obviously in a strictly non-partisan way? But I wanted to make sure that when we had this debate we were debating on the basis of facts and not inaccurate projections, or anything like that. So I am very grateful to them for that. What this amendment proposes doing is, I think, quite simple. We are talking about moving away from having 2 income tax calculations to just one, where we take one of the tax calculation systems we already have: the marginal relief system, and we simply apply it to all taxpayers and we reduce the basic rate of it from 26 per cent to 25 per cent, and apply this change from the 2019 assessment year, so that there is time to get some of the practicalities sorted out for that. During the debate on the Strategic Plan at the start of this electoral term, I brought forward an amendment to include the word “fair” in relation to taxes. Now, it is my view that that has been largely ignored, because we have seen policies that have been brought forward by the Council of Ministers to do with tax that I do not think can be described as fair. I do not think that the waste disposal tax is fair, because it is not proportionate to the profits of those businesses that will be paying it. Thankfully, this Assembly killed it off, but the health tax that was proposed was not going to be a fair tax, because it included a cap for the very wealthiest. I think that another word for “fair” in the context of taxation is the word “progressive”. A progressive tax is where the rate increases as the taxable base increases. It is where the amount you pay is proportionate to what you are capable of paying, irrespective of how much you benefit from the service that that tax funds. Now I think that is the basic principle that undermines a civilisation. It is the principle from each according to their ability to each according to their need. Now, Jersey already does have progressive taxation in the form of the marginal relief system and it is fair to say that it is a generous system for the lowest paid - the amount of tax that people at the bottom would pay through income tax. It is certainly lower than it would be in other jurisdictions, particularly the U.K., but because of 20 means 20, the progressive slant to that, it plateaus quite early. Compared to other jurisdictions, very early. So, as well as it being generous to low earners, it is also incredibly generous to high earners and I think that we are now in an Island where many of those middle earners feel particularly squeezed. There are a lot of people in our society who feel like things are getting harder for them, who feel like they are paying a lot of tax and not getting much back for it. I think that this Assembly ought to pay a bit more attention, from time to time, to the feelings of that section of our community. Now, in his opening to this Budget debate, and in subsequent contributions, the Minister for Treasury and Resources, and he has been joined by his comrade, Senator Ozouf, in trying to portray this. They have put out this rosy picture about how brilliant everything is in Jersey right now. They both said record number of jobs, the economy is growing, the sun is shining and sometimes there is even a ferry that comes to the Island. It is amazing right now. Nothing to complain about. So, let us inject a little dose of reality into this. Jersey’s economy is growing, because there is rampant population growth. Growth that is 4 times the limit that this Government set. It is without that rampant population

growth that we would not have the economic growth we do. There is a word for this sort of system. It is called a Ponzi scheme. It cannot go on for ever and right now it is masking, I think, some serious problems in our economy and in the way income is distributed in Jersey society. The Statistics Unit, the States' independent advisers - or at least the independent group that formulates the statistics that we base our policies on - have demonstrated that last year the economic standard of living for Islanders declined, because population growth outstretched the growth in the economy. So, basically, we are an Island that has economic growth, yet we are worse off because of it. I asked the question: how can that possibly be right, that people are seeing their economic standard of living go down when the economy is growing? That to me is an obvious sign that there is something wrong in how things are happening in the Island right now. That underpins my concerns for a whole host of issues. The Income Distribution Survey, which I mention very frequently in this Assembly, showed that for the 5 years preceding that survey, the poorest quintile of our society saw their incomes drop by 17 per cent. So, we are now a more unequal society than the U.K., and the U.K. is pretty unequal, as it is. There was a freedom of information request, I think it might have been a year or 2 ago now, that showed in the last decade the number of people in Jersey who are earning above £1 million a year has quadrupled. [Someone's phone is going off] So, I will just repeat that. In the last 10 years the number of people in Jersey earning above £1 million a year has quadrupled and in the 5 years before that, the poorest quintile saw their incomes drop by 17 per cent. So, life is getting more difficult for a significant proportion of our society. We are becoming a more unequal Island, and this is being exacerbated by government policy. The Income Distribution Survey came in just before some of the worst cuts to support for some of the poorest people in our society: single parent families - 54 per cent of them already live in relative poverty - have had support cut for them. Pensioners - a third of those live in relative poverty in the Island - they have had support cut for those as well. So, this is the point I am trying to make here. Jersey is currently undergoing a systematic redistribution of wealth from the poorest to the very richest, and I just cannot accept that it is right, in an affluent society, one which claims to be a democracy for elective representatives to sit back and be complacent, while there is this systematic redistribution of wealth from the poor to the rich going on. If we accept that, as an inevitability, then this Assembly simply plays the role of Robin Hood in reverse. So, I want to see this Assembly and whoever is in Government do more to reverse this trend, because that is what it is. It is a trend. This is happening over a period of time. Government policy so far has made it worse and there does not seem to be any clear action path to saying: "No, we want the poorest people in our society to be better off. We want those middle earners not to feel so squeezed, so that they can enjoy their lives here. We will ask those, who are doing best, to contribute a little bit more." Now, it is fine for this Island to have lots of rich people here. In fact it is more than fine, it is a good thing for this Island to have lots of very wealthy people here running businesses, paying a large amount of tax. But the problem is that the ideology that has underpinned the governments that Jersey has had over the last few years seem to believe that if you have a handful of rich people in a society, then everything else just gets better by magic. What demonstrated this to me was a comment that the Minister for Treasury and Resources made in a debate. I think it was at some point in the last year, or so. I cannot remember what debate it was in, but he used the phrase "a rising tide raises all boats." That does not take into account the fact that some of those boats are leaking. They are going to sink at some point and the people in those boats will need to be housed somewhere, or they drown. So, the analogy from an economic standpoint simply does not work, and I think it demonstrates this attitude that you can be complacent about this sort of thing: "As long as there are wealthy people in the Island, everything will be okay." The facts simply do not correspond to that. It is not the case that the lives of the poorest people in Jersey are getting easier at the time where we have been successful in having more and more wealthy people in the Island. It is clear that there has to be action taken, to stop that trend and redirect some of the income that this Island is generating into the pockets of people, who can have a better life as a result of that, who can spend

their money in the local economy. Otherwise, in years to come, Jersey's economy will be in a really, really dangerous position where a large proportion of the public simply are not able to get by properly, and that is where we are headed right now, if you look at all of the trends. So, the amendment before us has some graphs attached to it at the end, which show the distributional impact and how this proposed change would affect people. Let us be absolutely clear about what this is: this is, for the vast majority of people, a tax cut. It is not a tax rise and it is not right to attempt to portray it as an all-out tax rise, because for the majority of people they see their tax go down. If you are somebody who currently pays zero per cent income tax, you will continue to pay zero per cent income tax. If you are somebody, who is on marginal relief and you pay between 1 per cent and 19 per cent, which is the vast majority of the public, you see your income tax go down as a result of this. If you are paying 20 means 20 and you are in the sort of lower proportion of that 20 means 20, you will see your tax go down as well, because you will be able to claim allowances that under the current system you cannot. It is only the very, very top earners in the Island who would see their income tax go up, and for many of those people the amounts that it would go up would be a very small amount, for a few of them just a few hundred pounds. There are no implications within this particular policy for the amount of tax that 1(1)(k)s pay. If that is an issue to be dealt with, that is to be dealt with separately. The framework that underpins their tax model, I think, is different in its nature, so I think it is right to consider it differently. So, if you are a single person with no children and no mortgage you would not be paying any extra tax until you were earning £72,000 and if you are a single person with no mortgage on £72,000 a year I think it is fair to say you are probably doing quite well. An average family, so a family with 2 earners, both of whom are on the average wage, with 2 children would be £365 a year better off. A family with 2 children claiming £10,000 childcare tax relief would not pay any extra tax until they were earning £210,000 a year and those below that would receive less. So, this is generous, this is about putting money into people's pockets to help them with their lives and redress the inequalities that, in my view, exist under the current system. If you are a retired, married couple you would not be paying any extra tax until you were earning £156,000 a year. We have been advised that this change would raise £6 million, which we would want directed at public services to improve ordinary people's lives. What I had mentioned in the report to this proposition is that I thought that would be a good amount to go towards student grants, for funding those young people with talent and aspiration who want to go to university, who, under the current system are severely limited in what they can do and many of those young and talented people are being put off achieving their potential because of the debt they would have to get in, because of the lack of support there is.

[14:30]

We have heard from the Minister for Treasury and Resources there are now plans to expand the grant system in the Island, which I wholeheartedly welcome, because I think it is important that we offer greater support to those young people and I like a lot of what the Minister for Treasury and Resources has announced. As it stands, we do not know the ins and outs of the detail about how that is going to be funded. I believe that if you are going to offer a service to the public, it is the responsibility of any decent politician to be absolutely clear about the funding implications for it, not to get people's hopes up without having the appropriate detail. So, we do not know at the moment. But what I know, from what I have seen, from what the Minister has put out, that they will be looking to get rid of the higher child allowance, that you claim when you have children at university. That is, potentially, one way of funding it. As far as I know that will not raise the full amount - and the Minister can confirm whether that is the case - so the question then is: where does the rest of it come from? Does it come from cuts to somewhere else? Does it come from tax rises somewhere else? We need more detail on that to be absolutely sure. But what I do know is that this proposition allows you to fund that policy. You could even fund that policy to a more generous degree, if you like, provide more support for the living expenses, something that the

policy that was announced yesterday I think does not go anywhere near far enough on. You would be raising the income to pay for that exclusively from the people who are most able to pay it and not increasing the tax paid by those who have children at university, who they will still be struggling to pay for, even if the Minister for Treasury and Resources' proposals go through. Or, if there is another funding mechanism for that, this can be offered to go somewhere else, to make life easier for people. I have always been of the view that it should not cost so much to go and see a G.P. (general practitioner). I recently saw something in the news, it was being said to people that because of pressures on A. and E. (the Accident and Emergency Department) if you are not feeling well you should go see your doctor, rather than see A. and E. I remember reading and thinking: "Well, yes, that is all well and good, if you can afford to" but there are a lot of people out there who really, really struggle to find £40 to go and see a G.P., so they do not see a G.P. when they are feeling slightly ill, they wait until they are really ill and sometimes end up in A. and E. anyway, where it costs the public more to treat them than it otherwise would have if they had been treated at the early stages of their illness. So, the money raised from this, if it were considered more appropriate, could go towards subsidising G.P. visits potentially for people with disabilities, pensioners, children, pregnant women; all sorts of areas that this could go towards to help people's lives and make things easier for them. So, while I would suggest that it would be a good use of that money, to go towards higher education funding, there are other things where it could go to instead. The Council of Ministers have lodged comments to my amendment and I was quite pleased that what they did not attempt to do was to use the argument that I anticipated they would use, which was based on this idea that Jersey is such a terrible place to live, that if you asked the very wealthiest here to pay a little bit more they would all run away and go and live somewhere nicer. I have never accepted that argument and, in fact, I think it is an unpatriotic argument, because this Island is so much better than just its tax system, there are all sorts of reasons for wanting to live here that are not just based on the low tax rate that most people pay. In fact, if I remember rightly one Member - I think it was even the Minister for Treasury and Resources - when he was talking about the changes that he is proposing for how much tax is paid by high value residents, he is increasing the amount there, he himself said that many of those people are here for the quality of what is offered in Jersey, not the cost. So, I wholeheartedly agree with him and I think that would be the case with this tax proposal. Instead, the Council of Ministers have got what I think is quite a strange argument against this. They have said: "We cannot reform our tax system right now, because there is a review going on. We have to wait for the results of that review before we make any changes to our tax system." Well, I say that is going to make next year pretty interesting, is it not? So, you are out there on the doorsteps meeting voters in May next year, or you are out on the hustings platform, and somebody sticks their hand up and says: "Excuse me, candidate, I would like to know what your policy is on tax?" You are going to have to stick your hand up and say: "Well, I am sorry, I cannot give you anything, because there is a review going on. You are just going to have to vote for me and trust me." I am sorry; it does not work like that. That will not wash with the public. The public will want to know what our policies on tax - that tax that they are paying, the tax that businesses are paying - are before they vote for us. So, this idea that we cannot be accepting this amendment, because there is a review going on is fundamentally an antidemocratic argument, and this Assembly can make whatever decisions it likes on these things. I think that the information is already provided, that the Treasury have given me on the impact this has on ordinary people. It makes our income tax system simpler, it makes it fairer. That goes back to what I said at the beginning of my remarks, when I brought an amendment to the Strategic Plan to say that when we think about tax, fairness should be one of the considerations we should have. The argument that has got to be made is: if the marginal relief tax system is so good for the majority of Islanders why, is it not good for all Islanders? Why do we have to have 2 systems? That is the basic reason why I and my colleagues have brought this amendment. It makes our system fairer, it makes it simpler. It raises the revenue that we need to fund some important public

services, and it is part of what will, I think, be a host of measures that will be debated over the coming years, to reverse the trend that Jersey faces right now where the rich are getting richer and the poor are getting poorer. As I said, it is fine for the rich to be getting richer, in fact it is better than fine, it is good. But it is not good for the poor to be getting poorer; it is not good for the middle to feel more squeezed than they have previously. You just cannot expect magic to work to fix this; you have to do something about it. That will mean looking at how much tax people pay, it will mean looking at what public services are universal, which ones are means tested. It will mean looking at the minimum wage and how much we pay the lowest paid workers in our society; this is part of that narrative. I make this amendment. I look forward to the debate, I am interested to hear what Members will think of it, and so I make the amendment.

#### **The Bailiff:**

Is the amendment seconded? **[Seconded]**

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

Woah, sit on your hands, lads. This is a vital amendment to a Budget, which proposes tax changes which are fundamental to everyone in this room and yet, somehow, we have got a dearth of people who wish to speak about tax. What is the function of a Budget? It is to talk about, plan, and engage with the issue of tax. How do we raise the revenue required to assist our residents to live a decent life and have the public services that they have come to expect? As it says in the report, the aim of this amendment is to make our tax system more simple and fair, while raising revenue to provide a reliable income stream for much needed investment in public services. That is very clear, and I believe that everyone in this room could support those principles. Simple and fair. I put the emphasis on simple, simplicity, because we all know when we are talking to voters about the tax system we have got this far from simple system where we have got 2 rates, and people earning less than many say: "I am paying tax at 26 per cent, and yet people down the road better off than me pay at 20 per cent." They cannot understand it. It is not simple, and many of our taxpayers and voters cannot understand it, cannot get their head around it. You have to start talking to them about marginal relief and the differences between what happens at one end and what happens at the other, you can notice their eyes glaze over, they do not understand it, but they know, instinctively, they appear to be paying a higher rate than some others. That is a fundamental flaw in our system, the fact that our taxpayers do not really understand how we arrive at their tax bill. It would, surely, be advantageous to have the taxpayers understand how their tax bill was raised and how it was spent, so simplicity is essential, I would argue. Also, fair, it must be fair in my opinion that those least able to afford pay less and those most able to afford in our society pay a little more. Now, I want you to imagine, for a minute, some sort of alternate universe, not very far from this one, and in a Chamber just like this one the Minister for Treasury and Resources came to the Budget debate and said: "I have got a cracking idea, why do we not reduce the amount of tax 90 per cent of our taxpayers pay, make some of them pay less, and a net overall effect of my change will be that we gather in £6 million more tax. So, when we went to the Treasury Department and said we have this idea, what happens if we reduce the rate to 25 per cent and we apply that tax rate across the board from top to bottom; what happens? They came back to us saying the end result will be that over 90 per cent of taxpayers will pay less and yet you will generate an extra £6 million to spend on public services by this action. If the Minister for Treasury and Resources came today, or any time in the last 3 years, or any time in the future, and said: "I have this whiz of an idea, it works, we have checked it out, this is what I propose", how many of you would be voting against the Minister for Treasury and Resources, if he brought that proposition. I do not think many of you would, surely. If you would, I would like to hear your arguments, because I would be very interested to see how you work that and justify it to your fellow taxpayers, if that were the case. But this is not brought by the Minister for Treasury and Resources; it is brought by Reform Jersey. When we were told that it would raise more revenue, we said: "You are kidding. Are you serious? We can charge less

tax to over 90 per cent of people and still raise more. Wow. Will you go away and check it?" So they did. Took a few weeks, came back, said: "No, we are confident in our figures, this is what it will produce and it is £6 million extra. If you doubt it, look at our graphs." The graphs are there for all of us to see on pages 7 to 9. In simple terms, there is the tax rate and for a single person anyone earning below £72,000 a year will pay less tax. You have to be earning over that to start paying more tax, with the result that by the time you are earning £90,000 you are paying 1 per cent extra tax. Now, I would argue that 1 per cent extra tax on someone earning over £90,000 a year is perfectly reasonable and perfectly fair to charge. Similarly, married person, and this is where the numbers get a bit eye-watering, because they are out of my range, a couple can earn up to £144,000 before they pay extra tax; anything below that they are paying less tax, significantly less tax. It seems to me that works for me and what it has is this uniform tax rate, everybody, with the same allowances, paying 25 per cent tax across the board. Who will benefit most from this? Not the very poorest, because they do not pay tax; those who are in work and earning are the people who will benefit. Those earning in the middle income range, take a look at the curves, particularly the married couple there, will pay less.

[14:45]

Those earning significant income, around £100,000 a year, will pay proportionately less than most. So, there is a tax saving for 90 per cent of our population and still generates £6 million more. We went back to the Treasury in the last month and said: "Can you just make sure that your proposals that you are bringing to the States, whether this estimate that you have is accurate?" and they yet again came back and said: "No, we are confident this will produce £6 million more and will only affect the very top 5 or 6 per cent of earners. So, the maximum relief will occur to those, what we call, the squeezed middle. If you doubt about the squeezed middle then turn to page 11 in the report where the graph clearly shows, between 2006 and 2015, the amount of tax raised, the percentage tax rate increases between 2015 and 2006. If you look at the median earnings, around £29,000, below that, for that half there is no difference over the past decade, but for those 50 per cent of earners earning more than that then the effect is maximised at around twice the median wage, so 2 people earning median wage. As we say, this is not our figures; these are Treasury figures. I am surprised that the Minister for Treasury and Resources and the Council of Ministers opposes this amendment and encourages States Members to vote against it. Quite frankly I cannot believe that. Complete denial on their own figures, their own predictions - their own projections - this is a win-win undoubtedly, no 2 ways about it. They say: "Oh, but we cannot do that because we are having a review and the review will not report back until 2020." Hang on, we are looking at 2018, we are in 2017 now. The argument is that we may want to do all sorts of things in the future with our tax. For example, we might want to have a personal tax system, which does not change for married couple, or couples cohabiting. But that has nothing to do with this change. This change is very simple. It says replace the 26 per cent rate with a 25 per cent rate applied across the board. It is not difficult. It is not rocket science. It can be done. It could be done in the next year. When we got around to doing the review of other things that we might want to do with the tax system that would be the base on which we change things further. But to say we cannot touch it in a Budget, because we are having a review, quite frankly, is staggering. What is a Budget about, as I asked at the very beginning? A Budget is about setting your tax rate to raise revenue, to pay for your public services. That is what it is there for. This does it better and simpler to the benefit of all and raises more by charging most people, over 90 per cent of most voters, most taxpayers, less. If you tell me that is not a win-win situation and decide to vote against it, well it defies belief. I urge Members to support this. There are no dangers in it, simply a straightforward simplification and improvement on our tax system. It can be done.

### **1.4.3 The Deputy of St. John:**

I was hoping I was going to be able to get in before the Minister for Treasury and Resources spoke, because I would like to now lay down a challenge to him. I would like to also thank, particularly, Deputy Mézec for bringing this amendment. I think this is really important for us, as a States Assembly, to have this conversation about our tax system, because it is fundamental now that we move forward and we change the tax system that we have. It worries me that there appears to be a theme that comes out of Treasury time and time again is: “Do not do this, let us do a review. Do not do this, we are doing a review.” Everything is a review. I remember back when Deputy Southern brought a proposition for independent taxation. The Minister for Treasury and Resources at the time said: “Let us not debate that, because we are doing it anyway.” There was a feasibility study done into it and it is stated on there that there is a commitment to introduce independent taxation in Jersey: “Over the next 2 years work will continue on introducing independent taxation to the following timetable: review completed and recommendations included in the 2016 Budget at the end of 2015; commencement of implementation in 2016; and implementation fully completed by 2020.” Now the honesty here, I mean the public, from what I hear, there are many people that are extremely unhappy with being discriminated against within the tax system. As a wife, as I am, having to have my husband sign to say that I can discuss my income is completely disgusting, in my view. The reason why this cannot be changed is not because there is a review going on, but because it costs the States so much money having to do every single one of those assessments; we have to wait for a proper tax computer system to come in to do it properly. That is the reason why there is delay after delay. Finally that computer system is happening, I hear, but, as I understood it, the previous Minister for Treasury and Resources made a commitment in the report that we were moving towards independent taxation. Although I welcome a review as such, because I want to hear what members of the public really think of the tax system and how they believe it would be more simple for them, in terms of the basic needs of customer service, which we should be providing as a Government. So, the challenge I lay down to the Minister for Treasury and Resources here is that, if I was to support this, because within that feasibility study it talked about one of the steps going towards independent taxation was reducing the rate at the time, marginal rate, from 27 per cent down to 26 per cent, to more closely align it with 20 means 20. So, bearing in mind we have all these different tax reports, reviews after reviews, reports after reports, and every year we sit here and tinker around with the tax system. I would like a bigger discussion about direct and indirect funding on the allowances and I think that discussion has started to happen, because we are looking at things with higher education. I think there is a huge issue with childcare and I think there is a bigger discussion around direct and indirect funding on childcare and I am pleased to hear that the Minister for Education is not any longer doing the means testing. But, of course, he has to fund that somehow and how do you fund that? It has to come through taxation. So, my challenge to the Minister for Treasury and Resources here is that ... well, it is to the whole of the Council of Ministers because, apparently, they all oppose this, so I will lay the gauntlet down to the whole of the Council of Ministers; if I support this, will it have any real effect on the review that is going on, real effect? The Minister for Treasury and Resources is asking me what do I mean. Okay, so, Deputy Mézec is asking us to, basically, drop the marginal rate down to 25 per cent, remove 20 means 20, and apply that rate right across every member of the public who pays income tax. So, what I am asking is: if I was to support Deputy Mézec’s proposition, what real impact does that have on the review that is going on? I would challenge some of the comments that were made from the Council of Ministers. It states right at the beginning: “This amendment proposes a fundamental change to the personal tax regime by effectively removing the well-established 20 per cent standard tax rate.” Now, is this another form of us saying, because it looks like we are moving the 20 per cent tax rate, because the majority of people on marginal relief at this moment in time are not paying 20 per cent tax, they are paying a lot less, Chief Minister. So, because of the way the marginal rate works and the allowances and the thresholds and everything that goes within it, that is the discussion that I would like to have about those allowances, about the

thresholds; are they at the right level? Why every year we are increasing it, without considering are we taking in the right tax, for the right services, for the people and what they want, the general public, need. It states that: "It is not appropriate to prejudge the findings of the review. But, if it favoured a move to independent taxation this might require wholesale change to the system of allowances and reliefs and applicable tax rates." So, my question here to the Council of Ministers is that: how can this be put in a report when we know there are various reports, various reviews that have been done, and a feasibility study that was done on independent taxation? Does it mean that every single time there is a new Council of Ministers, we are going to have to have another personal tax review, another review of whether independent taxation is right, or not? Because, I do not think that holds up to scrutiny personally. I welcome the review that the Minister for Treasury and Resources is doing. I am unbelievably annoyed that it is being done right at the end of a term and being carried over to the next term, because this could have started right at the beginning and it should have started right at the beginning. I think some of the fundamentals here on the amendment is, for me, looking at how the whole of the system works, strategically, for the people on the ground. So, when you talk about the thresholds and you talk about the allowances, whether you have a 20 per cent rate, or a 25 per cent rate, how does that interact with the income support system, for example? We have an income support system, that has been in for what will be 10 years, never has there been a proper fundamental review of whether that system, when it was brought in, whether it was working with the intention of the States Assembly at that time. Argument I have been given time and time again is because it just keeps changing, we keep changing everything. Let us understand how it interacts with the marginal relief system and see whether it is helping Mr. Bloggs on the street in the right way, so that they are not caught in this horrible net between wanting to go out and work, really trying their hardest to get off that income support ladder, but constantly being hit over the head by the Government with either overpayments, marginal relief, tax, social security contributions, long-term care contributions, and various other user-pay charges that we seem to love so much in this Assembly. So, I challenge the Minister for Treasury and Resources, I want him to stand up and give me real reasons why I should not support this amendment. I think it is important that all of us put this challenge down, this gauntlet down, because I do not think it is good enough anymore for us to just sit back and say: "Do not worry, we have it in hand, we are doing a review." Because the world is moving a lot quicker than what we do and we have, as many Members mention all the time, an ageing population, we have some serious issues coming down the road, and we need a proper grown-up, fully-understandable, discussion about what the tax system means for this States Assembly, for future Governments and for the people that need the services that the public provides.

[15:00]

#### **1.4.4 Senator S.C. Ferguson:**

I am pleased to follow the Deputy of St. John. Most of the time we are on the same wavelength and I am quite glad to get in before the Minister for Treasury and Resources and give him even more questions to answer. I am coming at a slightly different angle from the Deputy because, in 2014, Corporate Services recommended that the tax system should be reviewed; it was getting too complicated and messy. Then, last year, in the M.T.F.P. debate on 27th September, I asked for a review of tax, because the tax statistics were bizarre, 5,600 people were paying tax at 20 per cent. In fact, that part of the review has been done and I am absolutely right. It is not surprising that I am right, because I got the figures from tax in the first place. But 5,600 people pay tax at 20 per cent, as set by the Germans in 1940. But, in fact, the average tax that people are paying is in the 13 to 15 per cent range. What we have not had is a calculation of what the tax rate should be for the expenditure that the States wants to spend. You need to go back to basics and say: "We need to spend so much, we have so many people working, the salaries are so much, what is the average tax we need in order to meet our expenditure?" It is a bit like you run your own budget. This would,



perhaps, be a sensible start. The Deputy wants 25 per cent, but why 25 per cent? If the average rate being paid is 13 to 15, why should we pay 25? Then “fair” of course is subjective. If I have got it wrong, if I have misunderstood him, he will no doubt put me right during his closing speech. But then we talk about “fair”. That is very subjective. If you are talking pure Animal Farm then you are talking from each according to his abilities to each according to their needs. Then, okay, we will end up with 25 per cent. But what is true is that our tax policy is being severely affected by the population policy. At the moment the average salary, I think, is something in the order of £34,000. The indicative figures from the Scrutiny Panel report is that at around about £44,000 a year the earner is a net drawer from the Social Security funds and supplementation, i.e. they are a drain on the Social Security fund and so forth. So, we are using up our Social Security funds faster than we are building them up. So, before we are lulled into a sense of false security with these siren-like figures, I want the overall tax review, which I asked for last year. If we change the rate ...

**Senator I.J. Gorst:**

I wonder if the Senator, just on one point that she has made, which is not correct, if she would give way?

**Senator S.C. Ferguson:**

Yes.

**Senator I.J. Gorst:**

It is not correct to say that we are using up the Social Security Reserve Fund faster than we are paying into it, it is currently the other way around: we are paying into it faster than we are spending on an annual basis.

**Senator S.C. Ferguson:**

Yes, but we have, in fact, capped the Social Security supplementation. It should be about £80 million a year, I think and it is running, at the moment, at £65 million, so we are going into a negative position and it is a long-term problem, yes, but it is a problem building up in the future. If we change the tax rate in line with the reform proposals, how does this fit with the prospects we have on the Social Security funds? I think we should be looking at reducing the tax rate, but spreading it more evenly across the population. I agree with the Deputy of St. John, yes, we need a much broader review of the total tax system, but why can we not go to a 15 per cent flat rate like Estonia, about which we are being told so frequently is such an impressive country? Why can we not get rid of the marginal rate, the marginal relief, which no one understands? I spend half my time explaining it to people. The Treasury have changed my request to reviewing personal tax only. We need an overall review and I think we ought, also, to be able to reduce the tax rate.

**1.4.5 Deputy A.D. Lewis:**

Did the Minister for Treasury and Resources want to go first? A matter that I have stood up to discuss, on a number of occasions, has been our tax system and my concern about the amount of money that one can earn, as a family, before paying 20 per cent in tax.

**The Bailiff:**

Deputy, would you please sit down? Can I invite Members who are listening to the debate outside in the coffee room please to return to the Chamber? We are currently inquorate. Please continue.

**Deputy A.D. Lewis:**

My concern is the fact that, under our current system with marginal tax calculations, the Minister for Treasury and Resources quite recently gave us a presentation, which clearly illustrated that a household could earn up to £170,000 and still not pay 20 per cent in tax. That is extremely

generous and I am sure there are lots of people out there that think that is wonderful, but in most western countries that is not the case. If you want fantastic public services, there is a price to pay for it. If you are still not paying 20 per cent in tax and you are earning £170,000 in income, there is something not quite right. That is because of the marginal rate and this, I think, is partly what Deputy Mézec is trying to address. However, the way he is going about it I do not entirely agree with. What I do agree with is the fact that there is a full review going on at the moment about tax and I have been involved in it, to a certain extent, myself and I welcome that. Each time I had a meeting about it, and I was involved with a few, I asked the same question: why can you still earn £170,000 and still not pay 20 per cent in tax and, of course, I was told it is because of the marginal relief calculation. I have heard it said on a number of occasions today already - Deputy Southern in particular was saying - how people do not understand how it is calculated. It is relatively straightforward, but it is still complex, if you are new to it, if you are filling the form in for the first time, and people generally believe that sometimes they are paying 26 or 27 per cent in tax, but they are not, of course, because they are only being calculated on a certain amount of their income for the purpose of tax. So, it is quite confusing and I accept what Deputy Southern was saying on that front. But the fundamental problem we have here at the moment is too many people are paying too little in tax to have a sustainable tax model and sustainable public finances going into the future. What the Government appears to be doing in introducing numbers of other charges and taxes and other such things, which the public will tell you about, whether it be a sewage charge, or a health charge, because they will not tackle the elephant in the room, which is income tax. We have, in my view, 3 methods of raising revenue: income tax, impôts, and G.S.T., and those are the 3 mechanisms that we should use, rather than further complicating our tax and revenue process by introducing other taxes and charges. That means bravery with your tax system that you currently have, whether it be G.S.T. or income tax. But income tax is what we are talking about with this proposition and I am of the firm belief that we should be looking at the review when it comes out, and I suspect what it will tell us - I do not want to pre-empt it - is that we do have this large cohort of people in the middle of the income brackets that simply, I am sorry, are not paying enough income tax. It is going to be difficult, Deputy Tadier, but the reality is we have a large number of people in Jersey that earn between £80,000 and £170,000, because we have this fantastic finance industry that does pay higher wages. Those people work very hard and make a huge contribution to our economy, but many of them are not paying what I would believe are acceptable levels of income tax. 20 per cent in most countries would not be regarded as very much tax and the average tax is about 11 or 12 per cent and only 15 per cent of people are paying 20 per cent in tax. That is fantastic, if you are the taxpayer. It is not great if you are the Treasurer and trying to do all the things that we would like him to do, without the revenue that he requires to do it. So, this is where Deputy Mézec is coming from, and he is quite right. I think he is coming at it in slightly the wrong direction. The issue we have is the way the marginal rate is so generous to those that do not need it, but it is also generous to those that absolutely do need it. So, those that want to abolish the marginal rate without full consultation, I am sorry, you will be damaging the very people we are trying to help that do not earn that much and still pay some tax. So, one has to be careful not to throw the baby out with the bathwater, which is why it has not happened yet, but we do need to tackle that bit in the middle, people that are earning, in many cases, over £100,000 should be paying 20 per cent in tax and they are not. That is the elephant in the room, in my view. This does not quite tackle it, but if it puts more pressure on the Government to look at that marginal rate, and hopefully that review that you are doing, Minister for Treasury and Resources, will shine the spotlight on that, and you will review our tax system, so that it is fairer for all, so that those that earn more pay more and do not say: "We are paying more, because it is a percentage rate", but it is still not 20 per cent. 20 means 20, I thought, was going to mean 20 means 20, and it does not for a lot of people earning quite a lot of money. I think that is wrong and needs to change, but this does not quite do it for me. I think it upsets the applecart, rather than puts it back on track and, yes, I do

agree we should wait for the full review, which I will be waiting for with great interest, Minister for Treasury and Resources and I think you are about to speak, so I shall be interested to know how up-to-date you are with that, how far it has advanced, because it seems to be taking an awful long time and I think that is, possibly, the frustration of Deputy Mézec and his colleagues, because they still do not have it. So, perhaps the Minister for Treasury and Resources can advise us when we are going to get it, so we can have a meaningful well-informed debate on income tax. Stop introducing all these charges, *et cetera*, that Ministers cannot do their jobs, because they do not have enough funding, so they are told: “Go and introduce a C.I.L. (community infrastructure levy), go and introduce a sewage charge, so you can pay for your department to function”, instead of using the revenue streams we have, which is income tax, G.S.T. and impôts. That is what we should be deriving our revenue from, not from extra charges. By not fixing this means that departments have to invent charges in order to function and that is not right, it is complicated and we need to focus on our income tax and get that fixed first. So, I welcome the Minister for Treasury and Resources’ comments on where he is at with his review as and when he speaks.

#### **1.4.6 Senator A.J.H. Maclean:**

I would like to thank Members who have made various comments. I am going to address, first and foremost, the Deputy of St. John and the questions that she has asked. She says there needs to be a bigger discussion about these matters and she is absolutely right. There does, and in fact there is, that is why a review is underway, and I will talk a little bit more about where we are with the review, which will deal with Deputy Andrew Lewis’s question and also give an outline on the timings and the reasons for the timings. The Deputy of St. John says that reviews are undertaken regularly and they take a long time and do not reach much of a conclusion, or fruition. There are examples, of course, that she and others can identify where such things have happened. I would like to say that there are also reviews that do have a conclusion and do get completed in a timely fashion. I will cite, for example, simply because she is sitting next to me, Senator Ferguson here, who brought an amendment to the Budget last year with regard to the retail tax. We said we would undertake a review and bring it back this year, we have done exactly that and, of course, Members know what the outcome was.

[15:15]

So, it can be done and it is, but sometimes these matters are a little bit more complicated. I will talk about the issues of this review and, in particular, the Deputy of St. John asked the question as to why she should not vote for Deputy Mézec and his amendment that we are considering at the moment. I will say to her that it is quite simple in my view: what Deputy Mézec is proposing is a fundamental change to our tax system. Now, he is sitting over there saying exactly what I would say is: how do we know that Deputy Mézec, despite the fact he has done a bit of research, and I welcome that, and he spent some time on this, how do we know that his idea is the right idea? We have heard Senator Ferguson a few moments ago saying: “Why do we not do X, or Y, or Z? Why do we not have a flat rate? Why do we not get rid of marginal relief?” Senator Ferguson also has a lot of ideas and I hope she feeds those into the review that is underway at the moment, so that it can be properly analysed. So, Deputy Mézec has an idea and his colleagues in Reform Jersey, but we do not know at this stage if it is the right one. I would also say to the Deputy of St. John, if we change, and if we were to support Deputy Mézec today, and we make this change, we complete the review and it comes up with some alternatives, a better way of doing it, then we run the risk of having to then make another change, a significant change in short order, the cost associated with doing that, the confusion it would cause, the confidence issues it would cause, it is not a good position for a Government to be in to be making fundamental changes to a tax system in that way. We need to be clear, we need to research, and I know the Deputy of St. John is very analytical and she is admired for the analysis she puts into matters and she will want to analyse the facts around any proposed change. That is why, I think, she will not ultimately vote for Deputy Mézec, because

she will want to know a lot more detail than is currently available. She is also interested, I would say - in fact I know that she is interested - that the review takes into consideration the interaction between income support and the tax system. It is something she feels strongly about; she is right about it. Indeed, she has spoken to the Social Security Department in the past. That is part of the review that is being undertaken, so I know the Deputy will want these facts ironed out, so that she can make an informed decision, and that will come in due course. I would like to just, first of all, not to be surprising and indeed it has already been identified in the comments, but the Council of Ministers oppose the amendment from Deputy Mézec. There are a number of reasons and I will go through those. But, before I do, I would just like to confirm again, or point out, that Deputy Mézec has done a lot of work on this, has done quite a bit of research and I do welcome his positive comment about Treasury staff, who I know he has been engaging with and I welcome the fact that he recognises, as I do, they do a marvellous job for this Island and through the process of the Budget, all the amendments that they have had to work on and assist Members on has taken countless, countless hours; and they do that willingly, but it is still a huge commitment. So, thank you to Deputy Mézec for just recognising that point. Getting into the detail of the amendment itself, Members should be in no doubt that the amendment proposes, as I have said, a fundamental change to our personal income tax regime. It proposes to remove the well-established headline rate of 20 per cent and we have heard Senator Ferguson comment on the fact that dates back to the 1940s. What the amendment suggests is that it is increased to 25 per cent. It also reverses the 20 means 20 policy, by giving back reliefs and allowances to all taxpayers, including those on the highest incomes. This would be a significant change to the personal tax regime and now is certainly not the right time to be making such a fundamental change. It does, as has been identified, if it were undertaken, raise around £6 million. Again, for the amount of money raised, it is a significant change to make. As I previously announced, the Treasury is in the middle of undertaking a review into the personal tax system and it is about the modernising of the whole of the current system. We have to look at all aspects of the personal tax system in that regard. I can report to Deputy Andrew Lewis, who was asking, and others, that the review is progressing well. In March Members will remember that I published a report, which outlined definitively the personal tax policy developments that have taken place in the periods from 2006 to 2015 and that is an important piece of analysis to have undertaken. It is important that States Members and the general public understand the impact of the changes, the large number of changes that have occurred in recent years. It is important that this work was undertaken, that our tax system is better understood, because it is complicated to a number of people, and that some popular myths perhaps were dispelled, like the fact that most people were not impacted by 20 means 20 as a policy. Without this baseline information, it would have been difficult to fully understand the potential impact of future policy options. However, completion of this analysis was only the first part of the review. The next part of the review is forward-looking and this is critical. I have already announced the significant work that is being done in Treasury in reviewing the way we tax married and unmarried taxpayers. I would just add, at that particular juncture, and I think it was a point again the Deputy of St. John made earlier on about independent taxation and why we have not done that, it is not as straightforward. I know a number of Members feel very strongly, including Deputy Southern, who is gesticulating in the far corner. It is a matter that he has raised many times before, but we have to understand the implications, we do not understand them all at the moment, but the United Kingdom, when they moved to independent taxation, one of the implications was the significant cost that resulted from that particular move. In fact, the way that the United Kingdom paid for it at the time was that they increased their V.A.T. (value added tax) rate by 2.5 per cent, it was around about that level. So, these are all factors that need to be carefully analysed when considering implementing changes of that nature. It is important that engagement with Islanders on this issue is undertaken and that has already commenced. It started through an online chatbot system and more than 1,200 Islanders, I can tell Members, have already responded, illustrating the

level of interest in this particular topic and rightly so. The results from this are being collated and will be published shortly and I am sure Members will find that interesting. The consultation will be extended over the next few months, so that as many Islanders as possible have the opportunity to have their views taken into account. Further engagement will take place through focus groups and Jersey's Opinions and Lifestyles Survey before undertaking a full consultation. So, there is a significant process of consultation and engagement with the public on this matter, exactly as it should be. The Treasury, I can say, is also building a modelling tool to enable us to model the impact of potential changes on taxpayers, as well as the overall effect on the Treasury, and I mention one particular effect with regard to independent taxation: it could have an impact, as it did in the U.K., in the way that I suggested, but we are not entirely sure at the moment, which is why the analysis has to be completed and this model will help understand what that looks like. This is all fairly significant work. It is also quite a lengthy piece of work, because it has to be done properly, you do not make significant changes to your personal tax system without analysing all the facts. The timing is another point that I have to make. The timeline is designed to fit in with the timing of the next Medium Term Financial Plan, with emerging findings reported in the 2019 Budget and final recommendations reported in the 2020 Budget. That is the timeline that is being worked to. This also dovetails with the plans around the implementation of the Taxes Office new computer software, should be delivering online services incidentally by 2020. This also dovetails with the plans around the implementation of the Taxes Office, as I have said and the new computer software that will be implemented and the existence of this new software will also facilitate changes to the tax system. Without it in place, it does make significant changes, not impossible, but very difficult to implement and manage. Not impossible, but virtually impossible, to undertake. Only when all this work has been completed with regard to the new software and modernisation of the taxes system can we consider making any proposals to fundamentally change the personal tax system. That would include the introduction, potentially, of an independent taxation, or a move to a form, perhaps, of household taxation. There are a number of options but, again, we have to go through the process to whittle those down to what might be the most appropriate. Therefore, now is quite simply not the right time to be considering major changes. I have other concerns, also, with this amendment I will just briefly mention. The proposal, as I pointed out a moment ago, is estimated to raise around £6 million of additional revenue, but I should say that this is a net figure. Where marginal rate taxpayers experience a tax cut, most standard rate taxpayers will experience a tax rise. This would increase the reliance on a small group of taxpayers, a small taxpayer cohort and, in my view, would be a risky strategy. As the Deputy highlights in his accompanying report, any change in the tax system also has an impact on the long-term care contributions. However, in the context of the long-term care contributions, these changes might reduce the total amount collected through long-term care. More analysis needs to be undertaken to understand what that might look like and that will be completed. But any reduction in the total amount collected through long-term care contributions might result in the acceleration of future increases to the contributions rates and that is something that we clearly want to avoid. It would also, potentially, negate part, or all, of the impact of the income tax cut that this proposal would deliver. So, in other words, if individual taxpayers are paying more money as a result of long-term care contributions having to rise, then that would offset the benefit of what they might see potentially. There is also the reference to excluding high-value residents in the amendment from these changes. States Members will be aware that I have, following recommendations made in the report published by the Tax Policy Unit in December 2016, proposed a number of changes to the high-value resident regime, which allows high-value residents to access preferential tax rates only after their income has exceeded a certain level that is £725,000 under the 2018 Budget proposals. Whereas the effect of Deputy Mézec's amendment is to enable high-value residents to access preferential tax rates on the whole of their taxable income, thereby making the entire regime preferential in comparison to other taxpayers. In summary, the Council of Ministers oppose this amendment and would urge Members

to vote against it for the reasons given. I ask Members to reject the amendment and allow the review of the personal income tax system to be completed and for the public to have their say. Let us analyse all the options, let us make any changes that may be necessary in the new Medium Term Financial Plan in a well-informed way. I think that is the appropriate way forward. I think that it again is important to recognise the work that Deputy Mézec has done in bringing this forward and the importance, I should say, in having this debate. The Deputy of St. John has made the point that we should be talking about these issues and that discussion, as I have said, has already started and, importantly, it has started with the public as well. That, as I have outlined, is going to continue and will follow the timeline that I have outlined. I would urge Members to reject this amendment, however well-meaning it is, and allow all the proper analysis to be undertaken under the basis of the times that I have laid out.

[15:30]

#### **1.4.7 Deputy S.M. Brée of St. Clement:**

I am sure, like many other Members, when I first read this amendment lodged by Deputy Mézec, obviously on behalf of Reform Jersey, I was looking for the holes in it. I was looking for the errors. I was looking for the problems. I was reading it on the basis that: “Oh, it is Reform Jersey policies.” However, when you start reading it, when you start looking at it, and when you realise that the data has been provided by the Treasury Department itself, it works. It works very well. Now, I stood for election on a platform which included supporting progressive taxation. Now I was berated by quite a few people over that, but I stood firm, because I do believe in some form of progressive taxation. This is not progressive taxation in a true sense of the word, in so much as there are not different tax bandings for different income levels. But, even so, it still works if you believe in some form of progressive taxation. It works very well. I think it is sad that some previous speakers, in my opinion, seem to have missed the point completely about this amendment. They are talking that tax rates will go up to 25 per cent; people who are currently paying between 9 and 14 per cent suddenly will have to pay 25 per cent. No they will not. That is not the point of this amendment. All taxpayers will be eligible to allowances, so while 25 per cent is, if you like, the new basic rate of tax, when you look at the graphs it is addressing some very, very serious issues that we have, this growing trend of inequality in our society when it comes to financial matters. If the only argument that the Minister for Treasury and Resources and the Council of Ministers can put forward is that: “You must not support this amendment, because we are doing a review”, how often have we heard from this Council of Ministers: “Oh, we are doing a review.” When have they ever delivered something that changes our basic way of tax, addresses the economic issues this society faces, addresses the whole inequality? “Oh, we are doing a review.” That, apparently, is fine because we have not been promised when the review will be finished; we have not been told anything, just: “We are doing a review. So that is okay, trust us, we are doing a review.” Well, I would say, if the only reason for not supporting this is that you are waiting, Members are waiting for the review, then that is a very, very poor reason. Because this amendment, and I urge Members to put aside their possible prejudices about who has brought it, this amendment is simple, broad and fair; things that our own Minister for Treasury and Resources keeps on telling us the tax system should represent. So, I would say, let us grasp the nettle today; let us make history today. Let us address the issues that we all see, we all know exist about the inequality and the growing gap between the haves and the have-nots. This is one step towards that. It is not going to solve every problem. This also addresses a number of other issues; we can simplify our tax system quite easily overnight. We can address the economic burden that our current tax system currently places on lower to middle income households. As I have said, it addresses that inequality that we all know exists. To say that this amendment prevents us from doing anything else at any time in the future I find rather strange. This does not prevent us from moving towards an independent taxation system, because it quite clearly states that you can be

classified as an independent person, you can have your own tax status should you so desire it, so that is not preventing that. This will not see a mass exodus of the high earners from the Island. That fear factor, that shroud waving that we always get from this Council of Ministers, whenever we talk about personal income tax, that is the fear: we will suddenly see a mass exodus of high earners leaving the Island. We will not, because they are here for a whole range of reasons, not just the amount of tax they pay. Because let us look at it, the vast majority of the high earners in our finance industry are from the U.K., which means that the vast majority of their income, were they to be paid the same as they are in Jersey, would be taxed at 40 per cent. So, let us not wave that shroud anymore, please. This does not, as the Minister for Treasury and Resources would have us believe, impact on the tax arrangements that may be put in place with high-value residents. It quite explicitly, as far as I can read, states: "Except for H.V.R.s for whom no change is proposed." So, whatever changes may come in, whatever changes the Minister for Treasury and Resources may wish to proceed with, or propose to do with high-value residents, is not affected and I cannot see how it would be, by the very fact that it explicitly excludes them. So, let us go back to really what is the basis of this amendment. It is to introduce a certain level of equality into our tax system. It is to reduce the burden that lower and middle income households have been increasingly suffering. It is looking at a way to say: "Let us try to reduce the burden on those families and slightly increase the burden on the higher earners, who have the higher disposable income." We would all love, I am sure, to be earning in the region of £140,000 and somebody at that level can pay that little bit extra, and why not. Why not introduce a tax system that takes into account our social situation. There is nothing wrong in that. So, I urge Members to support this, put aside your prejudices that it may have been brought by Reform Jersey and grasp that nettle and say: "Yes, it is a good idea. Yes, it does work. Yes, it is fair." I think we can then start moving forward and looking at the other areas that need looking at, but this I would urge Members to give it some serious consideration and look at it seriously and it does work.

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

I am delighted to follow the previous speaker when he says that we should put aside our personalities and prejudices just because it is Reform Jersey, because, I hope, that is a common theme on a number of amendments through this. I am going to just show, because, of course, I have been quite hard on the Minister for Treasury and Resources in some other areas, on this occasion I have to say that I am fully and squarely behind the remarks of the Minister for Treasury and Resources on the basis, not of personalities, but on the basis of a political philosophy and distributional impact. I would like to correct, if I may, Deputy Brée in relation to his remark saying that there have been no changes, or no substantial reviews, and the comments made, I think, by him and other Members and the mover of the proposition that there has been some sort of absence of evolution of real looking at the taxation system of Jersey, nothing has been done. Can I please remind the good Deputy that, in fact, 3 Budgets ago we cut the marginal rate of tax down from 27 to 26 per cent and that is where, in a sense, I am with Deputy Mézec halfway, but there is always an unintended consequence, as we are learning from the retail tax and that is the problem. There is something that sounds good, and I am certainly fully squarely behind Deputy Mézec, because I said it and I meant it: I would like a marginal rate of tax of 25 per cent, because I brought it down from 27 to 26 and I would like it at 25 per cent. So, I am with Deputy Mézec on that. Why did we bring down the marginal rate of tax from 27 to 26? Because it eased the burden on lower income families and workers, it rewarded work, and it basically put £7 million, as I recall the figures being, £7 million, and the Minister for Treasury and Resources is secretly quite cross with me that I did this, because I think he thinks that I gave him a bit of a problem, and I do not think it caused this illusionary black hole, because it showed that work was rewarded and we have seen rising levels of employment and we have seen a booming economy, so it has worked. So, the policy of reducing the marginal rate of tax worked and, of course, we have also heard the Minister for Treasury and Resources say that there has been an abundance, or he did not quite say "abundance", he said the

investment income of the States has gone up, but I think he has revised up the levels of taxation receipts every time he has stood in this Assembly since he has been Minister for Treasury and Resources. So, he has obviously been very prudent - I thought he was too prudent - but clearly we have greater tax receipts than we thought. Great, fantastic, good. Now, where is the problem? We can have a contest, if the Minister for Treasury and Resources likes, on who has done more on expenditure and tax and all the rest of it, we will not go there, let us not go there, because this is not about personalities, this is about the effect on real people and real people's lives and the effect on Jersey. I wanted a marginal rate of tax of 25 per cent. I do understand the comments that Deputy Mézec and a lot of other Members say that the marginal system is complicated, but I have to say that it works, because it does reward and does mean that we lower the tax bills of lower earners. The lower that marginal rate is, the lower the taxation revenue is. Yes, we have brought so many more people, Deputy Mézec is quite right; we have brought many more people into the marginal rate of tax; that is something Senator Ferguson has said too. We have brought many more people into the marginal rate system and the marginal rate system, I hope Members understand it, they have had briefings, we know, just to rehearse the fact that if you are a marginal tax rate payer you get this much greater tax-free amount and then you pay a higher rate of tax on that residual amount. Deputy Mézec is not proposing that. He is not proposing, effectively, the full Monty, if I may say, it happens to be also a related Reform Jersey name, but it is the full Monty, but he is not proposing that. He wants, effectively, the basic rate of tax of Jersey to be 25 per cent.

[15:45]

What the effect of this is going to be is correct to say that workers and the lower income groups will get a tax cut of £6 million, of £7 million, if the figures are still broadly correct. The problem is that the overall effect, as the amendment says, is that we get more revenue, and the more revenue is overall the net effect of this proposal is that the overall net revenue is £6 million. So, in other words, we are taxing somebody, or some group, to the tune of £12 million, because we are going to give a tax cut to marginal rate taxpayers, who are currently marginal tax rate payers, of about £6 million and then we are going to collect another £6 million. So, the lower income groups are going to be £6 million better off and we are going to tax the higher income groups to the tune of £12 million. I want Members to think about that. We are going to tax higher earners £12 million. That is a lot of money; that is an awful lot of money and the question that I have and the reason why I cannot support what Deputy Mézec's proposal is, is that I think the unintended consequence - and he says that there will not be an unintended consequence - the unintended consequence is that the people who are going to pay that £12 million will make decisions to either plan or move, and they will do it. In preparing for this debate and talking to a number of people as I have been trying to do in the last 48 hours of a number of these amendments, I said: "What do you think the effect of this is going to be?" Now we might not like bankers, or some people might not like bankers, might not like even some partners in law firms, we might not like some of the higher local wealthier people. I appreciate Deputy Mézec has not included any of the high net worths, but we are certainly talking about the higher earners and the higher achieving groups in Jersey. The feedback that I have had is that such is their increase in tax bill, because it is going to be quite a small group of people that are going to pay this £12 million, they are going to make decisions. They are going to make decisions such like they can move to Guernsey, because they have a tax cap. Guernsey has a tax cap for everybody, not only for the 1(1)(k)s or the 1(1)(e)s, but everybody. So has the Isle of Man. We have never done that here. We have made 20 means 20 and I would ask those Members, who said that we have not changed the tax system of Jersey to any great extent, I would remind them, if I may, of the fundamental changes of 20 means 20, removing mortgage interest tax relief, the changes to the marginal rate, and all those other changes. We have been making slowly, but surely, some massive changes and there has been some big distributional consequences to that. I agree, also, with the Deputy of St. John and she has said on a number of occasions, including her time as



Assistant Minister for Treasury and Resources, that she wanted to see the overall picture of the tax system and, indeed, Oxera provided us with a wealth of information and that report was extremely interesting. I ask Members, are they prepared to vote now for the principle of a basic rate of tax of 25 per cent, with the tax-free allowances of the marginal rate taxpayers, bringing everybody onto that system and to collect tax of £12 million from the higher earners? Because the impact on those individuals - and I do not know how many it is, I do not know whether the Minister for Treasury and Resources has calculated it, but it is going to be probably a few hundred I think, maybe a thousand - it is going to be a lot of money. We are going to make a decision in principle, with no consultation, no discussion, on that today and to send out another message today that the States of Jersey has made a decision in principle, without really understanding the consequences. I am astonished with some Members, like Deputy Brée, who says: "Make a historic day." Make a historic day of a big mistake, a big mistake historic day if we go down this route. It is not right to say that there has been not a big change in Jersey's taxation system and the burden has not been shared by Islanders. Yes, it is true, we lost corporate tax rates, we had in 1999 £226 million, as I recall, from corporate tax. When we had to change Zero/Ten and introduce it and it was brought down to a competitive rate of 10 per cent corporate tax that is where the tax loss happened, 20 to 10, I remind Members, we had to pay for it and that is why we introduced G.S.T. and we cut costs and, yes, Minister for Treasury and Resources, we did expenditure cuts and we have done 3 rounds of expenditure cuts. First round not very successful, second round £60 million, third round another £60 million and we are going to have to do some more if we are to achieve the objectives of the Minister for Health and Social Services and the former Minister for Health and Social Services, who really got the debate going when she said for the first time that we need more investment in health. She was the first Minister for Health and Social Services in years to say: "I have a crisis on my hands." It was she that started the debate. She started the trouble, if I may say, but I say that in the nicest possible way. She was the one that said: "We have a crisis in our health service." Do you know what, the U.K. has woken up to that last week when there was a cross-party committee report from all members saying the N.H.S. (National Health Service) is in crisis, we could have told them that 3 years ago. Are we ready today to make history with Deputy Brée on sending out a message of a 25 per cent basic rate of tax for Jersey? Are we ready to do that? Are we ready for another advisory note to go out from EY (Ernst and Young), like they have sent out the decision yesterday, for the corporation tax on retail? It has already meant that 3 projects have been shelved. Are we going to be an Assembly that is going to start making decisions like this on the hoof? It is nothing to do with personalities; this is to do with proper decision making. There is a decision of the U.K. Chancellor last week on the capital gains of corporation tax for commercial property, there was an announcement in the Budget, there is a lot of structuring of corporate property that is done in Jersey. It is a consultation, not a decision, not a decision in principle, but a consultation. When you are changing tax, you consult, you listen, you sometimes listen to the people that do not like it and you have to make the decision, like we did with G.S.T. I know people did not like G.S.T. I know the people that wanted 20 means 20 did not like the allowances being taken away. I know that. But we spoke to them; we engaged with them, and that is what has to happen when you change corporate, or income tax. That is why, as much as I would love to support a marginal rate of 25 per cent, it has been my dream ever since I started at the Finance and Economics Committee with the former Comptroller, Mr. Campbell, who I had lengthy discussions with at the time. We always wanted to do it, it was a dream. Whether we can afford it is another matter. I am afraid we cannot afford to make a decision of such magnitude on our economy and on our taxpayers of a transfer of £12 million. Yes, this is a left-wing policy, it is a left-wing policy and I respect their right to bring it. But, if you are going to do it, you must consult on it and this is not a consultation, this is an agreement in principle and the message will go out that this is not a consultation. If the Member would have brought it forward to say to consult on it, I might have gone with it, but it does not, it says it is effectively asking the decision to be brought forward.

**Deputy G.P. Southern:**

Will the Member give way?

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

No, I am nearly finished. The last thing that I will say is that this Budget has been a very interesting situation of making decisions without knowing the consequences and I just want to repeat that: making decisions without knowing the consequences. The consequences are not clear, there has not been a consultation on it, and it should not be approved on that basis. Does there need to be changes in the tax system? Yes. The Minister for Treasury and Resources said that and he is right. But we cannot make decisions on the hoof like this and we cannot send any more messages out that Jersey is going to be uncompetitive, because this rate of tax is uncompetitive in the competition of the other Islands that we compete with for business, for people who come to live. Deputy Mézec can shake his head, but does the Isle of Man have a rate of tax of 25 per cent? Does Guernsey have a rate of tax of 25 per cent? No, they do not. No, they do not. It makes us uncompetitive. I know it feels lovely to raise tax from rich people, I know. I know people like the idea of it. The other thing and the final thing I will say is about solving income inequality. People may say that I have strange political views, I notice that Deputy Brée nodded. Income inequality is about 2 things: it is about the gap between the higher earners and the lower earners and if a policy is to make the poor poorer rather than the rich less rich then I am against having wider inequality. I am going to just say that again. If it is a policy about making the rich less rich, which is about what this policy is, the rich will be less rich, because they are going to pay more tax and the poor will be better off, so the gap will be narrowed, but what is the overall economic effect for Jersey? The overall economic effect for Jersey is serious and it is seriously bad and if income inequality is going to make the rich less rich but the gap being down there rather than there, then I would prefer the gap there than there and I am not the first politician to say that in a Parliament and Deputy Mézec knows exactly what I am saying, but I stand by it: it is a centre-right view that you do not create a home-owning society and social mobility and a home-owning democracy by making the rich less rich and making the poor less poor by doing that. It is a bad policy and it is a bad decision in itself and it has not been consulted on and I urge Members to support, on this occasion, the Minister for Treasury and Resources, because we have to go with their plan. If this is to be a policy, let us at least consult on it. There has been no consultation and I urge Members to vote against it.

**Deputy G.P. Southern:**

Point of clarification: could the Minister, who is saying so much about consultation, could the Senator state how much consultation he had when he reduced the marginal rate of tax from 27 per cent to 26 per cent? I do not remember any consultation at all when he did that.

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

If the Member wishes to answer a question, when you are doing a tax cut you do not tend to consult, you tend to surprise people, because you have the money to do it. When you are putting a tax increase you need to understand the consequences, because that is the thing that happens. If you are doing a tax cut you do not tend to consult. If you are tax cutting you do not consult, you announce and do it. If you are increasing you consult, because you need to understand the consequences.

**1.4.9 Deputy M. Tadier:**

Of course that is why we had a consultation with the gambling industry when Senator Ozouf put forward 10 per cent arbitrarily on gambling houses and there was a wide consultation on that, and the same that happened with the duty-free proposals, because, of course, in reality, in the real world, politicians are here to make decisions whether they are Back-Benchers and parties or non-parties, we are all politicians here and we can put forward policies that we think are right. I go

back to the fundamental question about why did you, or why did I, or we, go into politics in the first place? Sometimes I wake up and when I try to oversimplify things, or sometimes when I like to explain about politics, perhaps in schools, I say there are essentially 2 types of politician. There are those who want to go into politics to change things and there are those who want to keep things the same, of course one a conservative and one a progressive and that does not necessarily mean left/right divide, but that is just one way of looking at things.

[16:00]

But, of course, I like to think that, no matter where we fall on the political grid, so to speak, we all come into politics with some ideas and we want to make the place that we live in better. That was certainly the case for me and I think that was the case for my colleagues. When I was growing up, of course, I associated, like many of you, with different people from different backgrounds: wealthy, normal families in middle income brackets, poorer people. I grew up with some people who could not afford to go and see a dentist, for example. I grew up with some people and family friends who might have died from an illness that would normally be entirely curable, because they did not go to the doctor at the right time and ultimately tragic. Part of the reason they did not go to the doctor might have been because they were stubborn, they did not like to go to the G.P., but always in the background it is the fact that you pay to go and see a G.P. and you do not go and pay that money unless it is absolutely urgent. Politics is the art of the possible. If we have a system in Jersey where education is free, where you can go to a primary school, or a secondary school, and have your child educated, without paying directly for it - of course you know that someone has to pay for it - that is a political decision that has been made, it has not happened arbitrarily. If we go to the hospital when we are ill and get treated very well by the doctors and nurses there, that is because of a political decision that somebody has made and that is to do with tax and spending among other things. If we go to town and we want to pay for parking for an hour, we put a pay card out, there is a reason it costs 78p rather than it being free, or rather than it being £5 for an hour, which it could be if we wanted to address those issues, because those are all political decisions. Politicians are put here to make decisions. They do involve money, they do involve revenue raising and spending that money, but also they involve motivation. What is your political motivation in here? Certainly, for my part, it is to try to help people. The counter question, or the following question, then has to be: what would you do if you had an extra £6 million, what would you spend an extra £6 million on? Most of us are not in the privileged position of the Minister for Treasury and Resources to have the flexibility to know where money can be juggled around. The former Minister for Treasury and Resources, Senator Ozouf, spoke. He was in the position to be able to say, for whatever motivation: "I would like to give a tax break to people across the Island on the marginal rate, the 85 per cent of taxpayers who are on the marginal rate, let us give them a tax break." I cannot remember even whether it was an election year, it may well have been, it may not have been. He was able to do that, because it was within his power. As it has been said, thankfully not just by us, but by Deputy Brée in front of me, these policies are fully costed, so these are not just grasping at intangible ideas saying: "Would this not be a nice thing to do?" This policy has been fully costed and it has been done, as has been said, by the Treasury officials. Much to our surprise, as well, we thought it might generate some money, but there is a way to make most people in our society better off, to give them some extra relief, yet to raise more money, which we have said would it not be great if you could spend that on higher education, irrespective of where you fall on the income scale, because we believe, as a party, that education should be free, whether that is at primary school, at pre-primary school, at secondary school, or at university, and that if you have a tax system, which is fair, which is efficient and works across the board, then you can also have the corresponding public services for all to enjoy, not necessarily always on a means-tested basis, which is, perhaps, an argument for another day. We know that, of course, this policy, I believe, has really forced the hand of the Ministers to come out with their own policy vis-à-vis grants for higher

education and that is to be welcomed. Certainly, the political pressure has been brought to bear. That does not mean that this proposition does not still have a purpose, because I would say that there are lots of good things that we can do with £6 million extra in the coffers. Not all of us could go yesterday to the very good speaker who was at the Royal Yacht. I know that there were other presentations on. She spoke about the very real need to invest in social infrastructure. She said that it is traditional for governments, especially conservative ones, and ones led by men, to say: "Let us invest in infrastructure, let us build some bridges, let us build more roads and we will create more jobs in doing that and there will be some fiscal stimulus." She made the very compelling case that also if you invest in social infrastructure, if you employ more doctors, more nurses, perhaps more teachers, if you value those professions then you will also create jobs, in fact you will create more jobs and you will create more wealth in society and those people will spend their money in society. These are not radical proposals and I had to pinch myself earlier. I said to Deputy Southern: "It is strange, nobody has got up and come up with the usual roguish arguments, the shroud waving, which says: 'But if we adopt this, then they are all going to leave'." Of course, I spoke too soon because Senator Ozouf, on cue, did come in and said: "But if we change the headline tax from 20 per cent to 25 per cent, they are all going to leave." Well, I do not think that is the case. The first point to make and to reiterate, as if we need to again, is that high-value residents will not be affected by these proposals. That is a completely separate mechanism; they do not fall into that anyway. The zero per cent tax rate for companies does not remain unchanged, so inward investment in Jersey, in that respect, is not going to be changed. I can imagine, of course, if Reform Jersey, or anyone else had come forward saying: "We want to abolish the zero rate of tax and apply a 10 per cent rate across the board" that might be ethically and morally compelling but, no doubt, there would be some serious pragmatic implications for that, which is why, certainly, we are not doing that and why it has not been done. But I would ask the former speaker, let us have a look at the graphs on page 8, for example, does he really think that somebody who is earning - a single person with one child at school - who is on £150,000 a year, are they really going to leave Jersey just because they see an effective income tax increase of 1.5 per cent? Or somebody who is on £200,000 a year, married and with an entitled second earner's allowance, so let us say a Jersey lawyer on £200,000 a year. Are they going to leave Jersey because they are going to pay an effective rate of an extra 1 per cent tax? Why on earth would they do that when they have their family here, when they have a house, which they may have bought somewhere in town, or in country, when their children are getting a good education at one of the local schools, be that in the private sector, or be that in the state sector, when they have great beaches here. It is simply not going to happen. This is a very modest proposal and I always say, if the marginal rate is good enough for 90 per cent of taxpayers, why not simply extend that to 100 per cent of taxpayers, it works; the marginal rate is the progressive element of the tax system. I would encourage Senator Ferguson and Deputy Andrew Lewis to vote for this proposal, because I think it does exactly what they are seeking for. I know, certainly, Deputy Lewis's comments were perhaps slightly more nuanced, but I noted what Senator Ferguson said. She said: "We need to reduce tax and spread it better across the whole of the population." Well, that is exactly what this proposal does; it reduces the tax rate from 26 to 25 per cent. We know we can do that; that has already been done in the past from 27 to 26, 26 to 25; there is nothing sacrosanct about the 26 per cent tax rate. The bottom line is that there is a reason we have allowances and again this is an argument for another day, but surely the argument and the rationale for having allowances is because a certain part of your money, and we know that people come from different situations, whether you may be a homeowner, you may be a mortgage payer, you may be a renter, a tenant and we all pay for food costs, electricity, *et cetera*. So, the Treasury, in their wisdom, has said: "Okay, let us set a figure for a single person, it is around about £14,500, that is your non-disposable income, that is what you need to live off, that is not, really, your money because you are going to be spending that just to pay for the basics. Anything on top of that we will tax you at." So, let us take your individual; we like

to talk about young single people potentially, but it does not have to be, this could be a pensioner, who is living on her own, this could be anyone of your constituents, your parishioners, who is on, let us say, an income of £34,500 a year. The individual allowance is £14,550, so they would have £20,000 of their income, which is subject currently to a 26 per cent marginal tax rate. So much for them being told that Jersey has a maximum rate of 20 per cent tax, because on their taxable income they are getting charged 26 per cent, someone much richer will only pay 20 per cent on their disposable income. She might not be little, but the old lady, who is living on her own, is paying 26 per cent tax on that £20,000, which amounts to £5,200 tax. Some of that, of course, will be her pension included in that figure and I am sure, like me, you get the question, and it is the perennial question from pensioners: “Why do I have to pay tax on my pension? Should that not just be discounted? I have already paid tax on that.” That is, again, an argument for a different day, but the point is we can help that lady, or we can help that younger person, who is living on their own renting by saying: “It might not be a big deal, but we can reduce your tax rate to 25 per cent. We have been listening to what you are saying. I came around and knocked on your door 3, or 4, years ago. I said I wanted to help middle Jersey, I wanted to help the squeezed middle, who are paying some tax. They are not super-rich. They are finding it difficult in this Island. Somebody like you, Madam, who has recently been retired, has given a lot to the Island, not just in terms of tax, but also the care that you provided and that you continue to provide in the voluntary sector” potentially, or to the young person to say: “I know what it is like being a young person in this Island, who cannot buy a house, who is struggling and everyone thinks that you should just try a little bit harder. I have heard what you said. It is not a big deal, but how about this, we are going to give you £200 extra.” We know that money will be spent in the local economy, that £200 will be. It is no big shakes for us, necessarily, but it is, perhaps, 3, or 4, or 5 meals that individual can have out in a year. It might be that they can have a few extra taxi rides or they can put that towards a holiday. The great thing is it raises overall, as a package, an extra £6 million, as I have said. I think this works. It is something which, of course, is a Reform Jersey policy, but it does not have to be, as has been said. This is an opportunity to make this a policy for the whole of the Assembly. I think if we are genuine in saying and believing what we have told people at elections, that we do want to listen to middle Jersey, that we do think that the tax burden should be spread more easily across those who can pay it, then I think this is the proposal that we should be looking at. It is certainly not radical. It is a simplification of the tax system. Why have 2 different rates of tax for different people, different types of earners, when you can just have one? I commend the amendment to the Assembly.

#### **1.4.10 Deputy J.A.N. Le Fondré:**

Only just briefly to state my position. I did rather feel Deputy Tadier was mixing, effectively, rates of tax and actual rates of tax and the headline rates of tax, up, so I am not entirely convinced that the pensioner he was citing the example of will be paying 26 per cent on £20,000, but, anyway, that is enough on that subject.

#### **Deputy M. Tadier:**

I can clarify that, if it helps.

#### **Deputy J.A.N. Le Fondré:**

No, I will not give way. It is always the lower of 20 per cent, or 26 per cent, and the effective rate is likely to be significantly lower than any of those rates for a pensioner on £20,000. My position is quite simple and it is in the context of a couple of things. One is our competitive position going forward in terms of the headline rate. I am not entirely convinced, at this point in time, that increasing our headline rate of tax by 25 per cent to 25 per cent is the right message to send in the context of uncertainty around Brexit, blacklisting, you name it, coming down the line. I do accept, also, that we need to understand the position in individual and household taxation, because that will

have an effect on rates at the same point. One other point, I think, just to indicate, that came out of some of the work that Corporate were doing on the Budget and also overlaps of population slightly. At the moment, there are 2 issues. One is at what point do people paying tax here become net contributors to the system, for want of a better expression? This is a thing called supplementation.

[16:15]

Supplementation is what we, as taxpayers, subsidise people who do not have the full Social Security contributions into their future pension. It depends on circumstances, but between about £34,000 and £44,000, at the moment, people who are taxpayers may be being subsidised by other taxpayers because they are not fully paying for their pensions. I just point that out as an accountancy argument. It is not a moral argument at this stage, it is just a matter of fact. We have got to understand the interaction between supplementation and, obviously, the taxation system, so I do have sympathy with the Minister for Treasury and Resources in understanding the position. However, the other point I do make, which is the emphasising of the competitive position, is that in the presentation given to us by Treasury, I think last Friday, 62 per cent of tax at the moment - this is income tax - is already collected from the top 20 per cent of the population, so the top 20 per cent of the population already significantly pays a lot of tax into the pot. The proposals from Reform, they were well put together, there is no question, but it needs to be worked through. I am afraid I am in the position that until I understand the issue around individual and household taxation and understanding the potential consequences of raising the tax rates, as has been proposed, I will not be supporting this.

#### **1.4.11 Deputy J.A. Martin of St. Helier:**

I will be brief, but I thought I had better stand up and explain to the 3 Members behind me why I am not going to be supporting this, because they will only ask me after. Joking, joking. But we have a very curious system here today and I think I really need to go and see that doctor, because I am agreeing everything this week with Senator Ozouf. But we have 4, or 5, pages here, some figures - and they are figures, they are not disputed from the Treasury - and we have had probably 3 people sitting around the kitchen table and we are going to change our tax system on that. Am I? No. Read it: 90 per cent of people may pay the same, or less, so you are going to expect 10 per cent ... and if you have a thing against high earners. The figures stay the same if they stay. Would you? Why would you be kicked? It does not matter whether it is 1 per cent. Nobody has done the research and literally today I am not going to just go: "Take that away, take that away. That seems a good idea. Most people will pay less." Well, only if the people that are affected decide to say: "Oh, that is all okay. Yes, yes, I am happy with that. I want to carry on paying that, because I am very happy. I already pay tax. I pay for private education, I pay tax, which pays already for the public services that the Reform love so much" and, of course, I love, but again now we want to hit those 10 per cent. I think we have gone mad, absolutely the Assembly has gone mad. I cannot support this and I really feel that you need so much more information; it is knowledge. I am assured by Deputy Tadier that people will not leave the Island. How does he know? Who are these people? We do not know if it is 1,000 or 500 people. "Just lose half of them." I just think I had to stand up and speak, because I read it and I have listened. "It is not going to affect anybody", but it is. It is going to affect the high earners, who you would say I should not be defending, but the high earning taxpayers provide our much-needed public services, our education and our health through their tax. To me, you really, really should think. You should know the consequences when you start telling them they have got to pay more. It is not just £6 million. That is the net effect. You are giving 90 per cent maybe £1, a bit less. By the time you make that up of what we have already got, then they are saying this: "Produce another £6 million in total." I am going to have to quote Senator Ozouf, he said around £12 million. Somebody is paying it. I am not supporting something that ... no, fortunately, I will defend anybody's right to bring a Back-Bencher's amendment and I have done them myself, but on tax, to do it in 2019 with no consultation, sorry, it is just a step too

far and I cannot support it. I really urge Members to think, it does not work as easy as it has been portrayed by Deputies Mézec, Southern and Tadier. Deputy Brée has said you can support this quite easily, but it is all about taking the public with you. Anybody who remembers taking away the mortgage interest relief, being shut out of the Town Hall. These were the so-called Islanders who would not notice. We were told they would not notice it. Well, they did. You have got to be very, very careful when you start tinkering, thinking you have found a solution, but you are hurting the people who are already providing for the much-needed essential public services we have. I will leave it there. As I say, I was not going to speak, but I have now explained to the 3 and I have lost at least one person who normally speaks to me in the coffee room, but that is fine.

#### **1.4.12 Senator I.J. Gorst:**

It is a fundamental change. It is a historic day. These are, for some Members, attractive propositions, will not hurt anyone, it is straightforward, we should look beyond the Reform Jersey party, who bring this proposal forward: not going to hurt anyone. Will they stay or will they go? We have heard that the potential detrimental effects are that we will become uncompetitive. We have also had raised eyebrows and suggestions that that is shroud waving. Of course, it will make us uncompetitive and no one will leave because of this change. The truth of the matter is: Members saying or taking either of those positions do not know. They do not know. That is not the way to deliver tax policy of such - in their own words - fundamental change. We were reminded that we have the 20 per cent rate since the occupation. Members must think very, very carefully. You are looking over your glasses, Sir, as though I have said something incorrect. Members ...

#### **The Bailiff:**

I think it was about 1920, but there we are.

#### **Senator I.J. Gorst:**

I am grateful for your correction, Sir. The other question that Members raised is: "So, we are doing a review. What will the implications be on income support?" I raise that particular one, because I know that the Deputy of St. John, before she was the Deputy of St. John, raised this question on a number of occasions. The truth of the matter is, it has never been properly addressed, it has never been properly reviewed. The reason we know why it has never been properly addressed is because we all suspect to address it, it is going to cost money, but this is exactly why the Minister for Treasury and Resources is doing the review that he is. The Deputy is right, saying we should have done it 3 years ago, but we did not, but that review is now being undertaken and that review will ensure there is no unintended detrimental effects on low-income families moving in and out of income support, what those costs are and how it can be delivered. The same with Deputy Le Fondré talking about supplementation and this idea of net contributors, or not, to our community, the same with individual taxation or household taxation. The in principle decision has been taken some time ago, but it is going to cost money. That review is going to help us understand what that cost is and then help inform decision making and help with consultation with the public. We also heard, rightly, Deputy Tadier talking about investment in social care can have economic multipliers. What he was really saying there was he supports government policy to invest an extra £40 million into the health service and the employment of the extra people in that care service that the Minister for Health and Social Services is undertaking, as Senator Ozouf said, carrying on the good work of the Deputy of Trinity. Be in no doubt: this may seem attractive, it may seem appealing. It does not answer the questions that Members rightly have about unintended consequences. It is a fundamental change to our personal tax system. This Assembly is good at making informed, long-term decisions. If it makes this decision today, it will not be able to say that this is an informed decision. We have got lots of numbers about what the numbers effects might be, but not what the effects might be on any number of individuals and families in our community, how it will work with the change to individual taxation, how it will deal with the income support

issue. The answers are not there. The answers need to be there before we take this fundamental step. The Minister for Treasury and Resources does have a timeline for this work: it is in his comments and the work is being undertaken. I ask Members to allow that work to be undertaken, for any changes to be consulted upon, so that we know what the consequences are and so that we can make informed decisions.

**1.4.13 Deputy M.R. Higgins:**

I am going to stand up and commend Deputy Mézec and his colleagues in the Reform Party for bringing their proposition. We have all known that the tax system in Jersey is not working for the majority of people in this Island. We know that a lot of people, not only the low-paid, but also the people in the middle are being squeezed far more than ever before. There are reports of people who used to shop at Waitrose, where they were getting a premium product, they thought, paying more for it and now are also using Iceland, because the goods are probably as good, but they are certainly cheaper. People are being squeezed in the Island and we are getting nothing out of the Government that we have got here. We have been asking for reviews of tax for years and years and years. Now we are being told we are doing one: "It will take a bit longer. Let us just wait for that." I think that Deputy Mézec and his colleagues have produced a blinder and they have wrong-footed the Council of Ministers. Why? Because they have used the Treasury. They are not using their own figures. They cannot be rubbished for using their own figures, their own projections, their own effects. They went to the Treasury and got it from the officers in the Treasury. They said when they first had it they did not think that it was accurate, so they asked them to go back and check again and they came back and said: "They are correct." Now, anybody who is putting forward a situation where 90 per cent of the population are going to pay no more, or be better off, has got to be considered. I think that the protestations of the Chief Minister and others are quite simply: "We had not thought of it" or, as I say: "We have been wrong-footed. We have got to come up with something." But give us a darn good reason - and you have not so far - why this should not be accepted by the Assembly. I shall be supporting them 100 per cent on this particular proposition.

**The Bailiff:**

"Darn good", Deputy?

**Deputy M.R. Higgins:**

I do not believe it is unparliamentary, Sir. It is a phrase we used to use in Canada a great deal.

**The Bailiff:**

I will let it go this time. Senator Routier. If I am frowning at Members now, it is only that I am really conscious of the amount of time that we have to deal with the agenda.

**Senator P.F. Routier:**

I will be very, very brief, Sir.

[16:30]

It was really the last speaker, who encouraged me to speak, because he was talking about the benefit of having the Treasury figures to support this proposition, but we also have the Treasury's comments as well. I am a bit of a practical sort of person and the timeline, which this proposition is suggesting, it is to come into effect for the year of assessment, 2019 and, practically, I think it would be a bit of a historic decision for this Assembly to agree this, because the Treasury, the Taxes Office computer system and their assessment process, we need a brand-new computer system to help that be effective. That will not be in place until 2020, so I would say just on the very basic practical matter, I would suggest that it would be inappropriate to bring it in now and



then change it again later on, when we have the outcome of the review, so I will not be supporting this.

**The Bailiff:**

Does any other Member wish to speak? If not, I call on the proposer to reply.

**1.4.14 Deputy S.Y. Mézec:**

I think the central argument that has been used by the Council of Ministers has basically been: “If you are a Back-Bencher, do not dare try contributing to the running of this Island in any way, because we are the ones who know best, we are the ones who have got all the tools at our disposal and we are the fountain of knowledge and wisdom in the Island.” I think that is regrettable. I will say, though, the Minister for Treasury and Resources at least did give us credit for the work that we have put into it. It is a shame that not all of his colleagues would echo that. Can I thank Members who have contributed? I do think this has been a good debate and it has been interesting to hear the arguments on all sides of it. There has, occasionally, been moments of frustration where some Members have made comments which, to me, have indicated that they do not understand what the proposition is about. I am going to desperately try to win Senator Ferguson’s vote on this, because she made a comment in her remarks that has to be addressed. I will try and get this quote as accurate as possible. She was talking about the average rate of tax that is paid by many taxpayers in the Island. I think she said it was between 13 per cent and 15 per cent and she wanted to look at that and say: “What could it be?” She said we should be reducing tax and spreading it among the population. That is exactly what this proposition does. This does not raise the tax rate of people who are paying 13 per cent to 15 per cent. This lowers the tax they are paying, because what she was talking about was the effective rate of tax. That is the effective rate that is charged on the entirety of their income. The 25 per cent is what is charged on their taxable income. Income and taxable income are 2 different things, so the 25 per cent rate is charged on taxpayers’ taxable income, which is their income minus their allowances, so for every single person, who is on a tax rate of 19 per cent, or below, they will get a tax cut under this. This achieves exactly what Senator Ferguson said she wanted to see achieved from any potential tax reforms. I think Deputy Lewis of St. Helier made some interesting points. He spoke about how generous our tax system is for many people and he said that if you want decent public services, you have to pay for it. I think I share part of his perspective on this, which is that I think there are too many people in Jersey who do not pay income tax. The reason there are too many people who do not pay income tax is because there are too many people in this Island, who are not earning enough money, who are not earning what they deserve for the work they are putting into their careers. That is why myself and other Members of this Assembly, my colleagues that I am sat with, support doing more to bring people into taxation levels by looking at raising wages, by looking at problems with zero-hours contracts. Yes, it is the case that too much of our population falls below the tax threshold. That is a real problem and it is a symbol of what an unequal society we are. Deputy Lewis also spoke about how he thought there were too many people paying too little to have a sustainable tax system. Again, I have a little bit of sympathy here. In fact, he was saying - forgive me if I get the exact figures he used wrong - that not enough people who are earning around about £150,000 a year were paying 20 per cent and that he wanted 20 means 20 to apply to more of those people. I wish him good luck in making that argument to many of these people who feel squeezed, who feel like they are paying a lot of tax as it is and are not getting anything back for it and who will be looking at people even further up the income scale than them who are paying less. Good luck making that argument to middle earners that they should pay more tax for their services, while not being prepared to say to people, at the very top of the income scale, they should be asked to pay more. It is not reasonable to say to people: “You should pay more, but everyone out there, who is doing better off than you should not also be paying more to those services.” That is, I think, why the central virtue of this proposition is that it puts everybody on an equal playing field. Everybody has the same tax

calculation applied to them, so a person earning, for example, £100,000, single, no mortgage, is not going to be paying the exact same amount of tax as a couple who have £100,000 income between them and 2 kids. It will bear some resemblance to the help that you need in your own life, getting by. Now, this argument about the review, I think, is particularly frustrating. Senator Maclean, who, one day I am sure is going to pronounce my name right in his remarks in this Assembly - it is Mézec, not Mézac, he worked with my dad, so he should know this - the argument he made was that we cannot make fundamental changes to our tax system without review. I am sorry, but that is just a reason for never doing anything. The States is constantly reviewing all manner of things. It takes us years to deliver any progress. I think if you are having a review on something, is that not an admission that there is something wrong with the current system? We are saying: "No, we cannot change the current system." Instead, we are going to keep having it for several more years while we look at potential alternatives, including when alternatives are presented in this Assembly that are well-researched, that do speak about the implications around it. I want to relate this to something that Senator Routier said right at the very end of this debate. He raised the questions about the practicalities of introducing this system. He spoke about what will need to be done on the computer system. That is precisely why I am saying introduce it for the 2019 assessment year, rather than the 2018 year, so we have time to get there. I am told by people in the Treasury Department - this is their own words they used - they said: "It is not insurmountable to do this." If it were the case that I would have gone into the office and said: "This is my idea. This is what I would like to achieve" and they sat down with me and said: "Being strictly impartial, Deputy Mézec, we are looking at what you are saying and we just do not think it is practically possible" I would not have brought it forward, because I would have been wasting everybody's time. I would be wasting my own time, frankly. I have only brought something that the advice we have been given, strictly impartial, has been that this is doable. Can we please not have arguments about the practicalities when these have been addressed? Now, another argument that Senator Maclean used was about the implications this will have for long-term care charge. I agree with that and that is in the report to my proposition. I say that this will have an implication on the long-term care charge. It will be a marginal implication. It is not going to take away substantially from the income that this raises. Senator Maclean loves his reviews. Good for him, there is one due on the long-term care charge and I would say that I think he used the argument that, perhaps, we might have to raise the long-term care charge sooner, we might have to even further raise taxes on the people who we are trying to lower it for. Here is an idea for him: if you are going to look at changing the long-term care charge, why do you not look at the cap that excludes the very wealthiest people in Jersey from paying the same proportion of their incomes to the rest of us? Because the long-term care tax is regressive. That is the point of this proposal. I thought that Deputy Brée made a good case for progressive taxation. A progressive tax is a tax where the rate increases as the taxable base increases. The long-term care charge is regressive, because the more you earn, the lower the rate is for you. That, I think, is not morally defensible. I think it is a little bit insulting to many of the middle earners out there, who are working hard, paying the full rate, seeing people who are better off than them who could, potentially, benefit from those services to the same degree that they do, paying a lower rate. This is all about addressing that and targeting our tax system more effectively at people who need it, respecting the hard work that many people put into their careers to earn their income and respecting family circumstances, so everybody is entitled to the allowances that help them make their lives a little bit easier. But, speaking of reviews, since we like to review everything and that is the answer to everything, there was one review quite recently. It was the Oxera review into the minimum wage. They looked at various options for raising the minimum wage and what effects that could have on our economy. I have brought forward a proposal, due to be debated in a couple of days, to give us the opportunity to implement one of the circumstances that Oxera have looked at and, of course, the Government are opposing it. Again another review, money wasted, may as well have never happened, we may as well throw that review in the bin. I

really do not accept this argument and I think it is an example of why Jersey takes so long to get to grips with many issues. How long has it taken us to get to where we are with the hospital? How long does it take us to make decisions like the retail tax? Nine years the Minister for Treasury and Resources has been ... is it 9 years? Yes, I think it is 9 years that the Minister for Treasury and Resources has been a Senator. I remember that hustings, he said: "We need to do this, we need to get businesses paying corporation tax" when they were not previously. Nine years, it is not good enough. It is an example of a government system that does not allow dynamism, it does not allow governments to make decisions quickly, sometimes get those decisions wrong, but then be able to fix them quickly afterwards. Instead, we take 9 years to make a decision on something and if it turns out to be the wrong thing it will probably take us another 9 years to fix it. In the meantime, Islanders have 18 years of the wrong system being imposed on us. So, I think this Assembly should, once in a while, try experimenting with things, should try doing something different and if it does not work be prepared to acknowledge it and change it. Now, Senator Ozouf, who made it clear in his remarks that he did not want to be personal at all, so I am going to call him "my friend Senator Ozouf" who agrees with me that marginal relief should be 25 per cent. Great, I look forward to working with him in the future on that, because that is, clearly, an aim that we both share. He says that reducing marginal relief last time from 27 per cent to 26 per cent saw rising employment. No, it did not. That is taking credit for something when, honestly, it is not deserved. The rising employment that Jersey has seen is because we have a Ponzi scheme, economic growth and population policy system. That is why Jersey is in the situation we are and it cannot go on much longer, because we will start struggling with infrastructure, we will struggle for house prices. We have been told how many houses we are going to have built by 2020, when there are 1,000, 1,500 people moving into the Island every year. It is not good enough and the Statistics Unit, themselves, have told us that last year the economic standard of living for Islanders fell, because population growth outstretched economic growth. This is not acceptable, this is not what our constituents deserve. They deserve better than this. They deserve governments that are capable of coming up with solutions to improve their lives, not make their lives worse and then come up with these platitudes that pretends that things are better than they actually are. Senator Ozouf said, in his remarks, that what this is really about is that Deputy Mézec wants the basic rate of tax to be 25 per cent. He is correct, I do. I have an advantage on that argument, because it is what I have told the electorate every time I have stood for election. So, we talk about reviews, we talk about consultations. My view is that the best consultation is an election, getting people out there to vote. So this is myself, my colleagues here implementing what it was we were elected to do very clearly, doing the research to get the package together properly. There has not been the consultation that the Senator may claim there will have been on other aspects of tax policy. So, let us take G.S.T. as an example. A great consultation, and I remember it because it would have been the first time that I would have met Senator Ozouf as well, 2008, that election campaign I remember very clearly. "Vote for me and I will not raise G.S.T." and then he got elected that is a consultation that election and then it is raised a few years later. I think we have to be serious about this. Months later? There we are. The Senator was the first person to really start using this argument that if you raise tax from the highest earners in Jersey that they will leave. He used other examples of places that have lower effective tax rates than Jersey and what I say to that is: if there are places out there with lower tax rates than Jersey why are there any high earners in Jersey at all? Why have they not all moved to Guernsey, why have they not all moved to Sark? Move to Sark, there is no income tax over there. He said that tax is capped in the Isle of Man. Well, of course, it has to be capped in the Isle of Man, because it rains all the time. Why would anyone live there otherwise? You come to Jersey, you have good public services, you have fantastic weather, you have great beaches. In Guernsey you have to pay to get an ambulance.

[16:45]

I know of instances where people have collapsed in the street because they have been ill and they have had to say to people who have come to help them: "Please do not call an ambulance, I cannot afford it." I am quite glad that our health system in Jersey is better than that. There is more that could be done to make it more accessible for other people, but if you want decent public services you have to pay for it and, do you know what, rich people benefit from public services too. I am someone that believes in universal benefits. I am happy for wealthy families, or children from wealthy families, to have access to higher quality public services. I do not believe in means testing. He quoted Margaret Thatcher - that is who he was alluding to in his comments. I know the speech he is referring to - us lot over here, you know, we are happy to see poor people poorer as long as the rich people are also poorer. Of course, nothing could be further from the truth. I said in my opening remarks that I would be more than happy for Jersey to have more and more wealthy people here contributing, creating jobs and helping us create a fairer and more equal society where people have better opportunities. But I have to ask the Senator: where is his solution on inequality, because there is not one? He is not prepared to back a tax system that would make our Island more equal. I suspect he is probably going to vote against raising pay for the lowest paid workers in the next few days. What is actually going on to help those people? This is why I have brought this amendment, because I do not think enough is going on. All the stats back me up on this. Every report that comes out from the Statistics Unit, whether it is about the fact that real terms earnings have been frozen for a decade - a decade without real terms earnings increasing - is something to be worried about. The economic standard of living for people last year falling. That is something to be worried about. Something to be incredibly worried about is seeing the poorest quintile of our society 17 per cent worse off and to be made even more badly off, because of the decisions that this Assembly has made from time to time, whether it was cutting support from pensioners, cutting, in some cases, £2,080 a year in support for single parent families, who are the group most at risk of living in low income in the Island. I am saying this does not have to be inevitable. I am saying we can make different choices. That is what politics is about. Politics is not about abdicating all responsibility out there and having a consultation, or a review, on anything. We are paid to be here to make decisions in the interests of our constituents, that is exactly what myself and my colleagues have attempted to do with this. I really say to Members that this Island is a lot better than its income tax rate. A lot of the high earners, who are in the Island, who could potentially otherwise be mobile, a lot of them are not here for our income tax rate, they are here for our corporation tax rate. They are here for the fact we have some of the highest quality financial services expertise in the world, a good regulatory framework to be working in. That is the reason many of these people are here. Oh, and guess what? The beaches are great, as well. Everything thrown in there. Deputy Higgins said at the end of the debate that our tax system is not working, and it is not. He is absolutely right and that is the position that I am certainly coming from. Our tax and spend model is broken. We are seeing a reduction in the quality of public service for many people, we are seeing the systematic reduction of the standard of living for public sector workers as a result of this government's policy and the question has to be asked: how long can this go on for, because this trend keeps going. The super wealthy keep getting wealthier and the poor keep getting poor. What is going to be left of our Island if nothing is done to resolve that? Something has to be done, this is part of that, it is not enough, there is certainly much more that has to be done and this would improve equality in the Island, it would offer the Government a revenue stream to put back into public services, to improve the quality of life of ordinary people, it will give many of those people a modest tax cut that they can use to enjoy life, to pay their bills, to provide better opportunities for their young people. Oh, and by the way, it also makes our tax system much simpler and fairer. I think this is the full package. I am really proud of this and, do you know what, when this tax review eventually happens I would not be surprised if they came to this conclusion themselves, because there are policies that we note are being taken from other quarters right now. I would not

be surprised if this was the next one. I urge Members to vote in support of this amendment and I call for the *appel*.

**The Bailiff:**

The *appel* is called for. I invite Members to return to their seats. The vote is on whether to accept the third amendment to the Budget Statement proposed by Deputy Mézec, and I ask the Greffier to open the voting.

<b>POUR: 10</b>		<b>CONTRE: 34</b>		<b>ABSTAIN: 0</b>
Deputy G.P. Southern (H)		Senator P.F. Routier		
Deputy of Grouville		Senator P.F.C. Ozouf		
Deputy M. Tadier (B)		Senator A.J.H. Maclean		
Deputy M.R. Higgins (H)		Senator I.J. Gorst		
Deputy J.M. Maçon (S)		Senator L.J. Farnham		
Deputy S.Y. Mézec (H)		Senator A.K.F. Green		
Deputy S.M. Wickenden (H)		Senator S.C. Ferguson		
Deputy S.M. Bree (C)		Connétable of St. Helier		
Deputy T.A. McDonald (S)		Connétable of St. Clement		
Deputy P.D. McLinton (S)		Connétable of St. Peter		
		Connétable of St. Lawrence		
		Connétable of St. Mary		
		Connétable of St. Ouen		
		Connétable of St. Brelade		
		Connétable of St. Martin		
		Connétable of Grouville		
		Connétable of St. John		
		Connétable of Trinity		
		Deputy J.A. Martin (H)		
		Deputy J.A. Hilton (H)		
		Deputy J.A.N. Le Fondré (L)		
		Deputy of Trinity		
		Deputy K.C. Lewis (S)		
		Deputy E.J. Noel (L)		
		Deputy of St. John		
		Deputy S.J. Pinel (C)		
		Deputy of St. Martin		
		Deputy R.G. Bryans (H)		
		Deputy of St. Peter		
		Deputy A.D. Lewis (H)		
		Deputy R. Labey (H)		
		Deputy M.J. Norton (B)		
		Deputy of St. Mary		
		Deputy G.J. Truscott (B)		

**1.5 Draft Budget Statement 2018 (P.90/2017): fifth amendment (P.90/2017 Amd.(5)) - as amended**

**The Bailiff:**

We now come to the fifth amendment, which is the amendment of Senator Ozouf. Senator, I understand that you are willing to accept the amendment of the Minister for Treasury and Resources?

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

I am indeed.

**The Bailiff:**

If Members agree, we will just take the amendment of Senator Ozouf as amended, but if Members want to debate the Minister for Treasury and Resources' amendment then, of course, we will do so. Very well then, Greffier, then will you read the amendment as amended please.

**The Deputy Greffier of the States:**

Page 2 - For the inserted new paragraph (e) substitute the following - "(e) to request the Minister for Treasury and Resources: (i) to undertake a programme of engagement and awareness-raising with U.K. firms that charge Value Added Tax (V.A.T.) on goods delivered to Jersey to encourage them to levy the correct sales tax; (ii) to explore with those businesses the opportunities for those businesses to collect any G.S.T. due from the consumer and remit that G.S.T. directly to the Taxes Office in order to expedite the delivery of the goods; (iii) to report on progress with this work by 10th April 2018; and (iv) to make available from the Contingency budget the resources required to ensure that this work is undertaken without affecting progress with other work-streams."

**The Bailiff:**

Senator, I may be wrong but I sense from the Assembly that, perhaps, this need not take as long as one would think.

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

Indeed, I was just going to say exactly that. If ever there was an amendment which I think that every Member may wish to agree with, it may be this, and I just wish to say that I am grateful for the Treasury team. Basically, what they have done is they said they did not want to calculate the amount of tax payable to H.M.R.C. (Her Majesty's Revenue and Customs). I completely understand that, I am fully accepted of it. The issue has received a lot of media attention; I am delighted about that. I want to recognise the work of the Consumer Council in relation to that and I wish to underline the important work of the Consumer Council in dealing with that. If I may just simply finish proposing this, because I think Members understand it. I also thank the media for once for highlighting something and to say in final conclusion - I am trying to do this in less than a minute and a half - the editorial of the *J.E.P. (Jersey Evening Post)* said: "Senator Ozouf's amendment is a no-brainer. The Minister for Treasury and Resources and other States Members need to get behind it and score a victory for ordinary consumers." I say hurray. I move the amendment.

**The Bailiff:**

Is it seconded? **[Seconded]** Does any Member wish to speak? All those in favour of adopting the amendment, kindly show. Those against? The amendment is adopted.

**1.6 Draft Budget Statement 2018 (P.90/2017): sixth amendment (P.90/2017 Amd.(6)) - as amended**

**The Bailiff:**

We now come to the sixth amendment of Senator Ozouf and again, Senator, am I right in thinking you accept the Minister for Treasury and Resources' amendment?

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

I do.

**The Bailiff:**

Are Members content for it to be read as amended? Very well, Greffier, please can you read the amendment?

**The Deputy Greffier of the States:**

Page 2 - For the inserted new paragraph (e), substitute the following - “(e) to request the Minister for Treasury and Resources: (i) to undertake a review into the feasibility of extending the scope of G.S.T. to include the supply of digital services into Jersey by businesses with no establishment in Jersey; (ii) if it is feasible, to bring legislation to the Assembly no later than the 2020 Budget which seeks to extend the scope of G.S.T. to include the supply of digital services into Jersey by businesses with no establishment in Jersey; (iii) to undertake a programme of engagement and awareness-raising with U.K. or E.U. (European Union) digital service suppliers to ensure that they levy the correct sales taxes; and (iv) to make available from the Contingency budget the resources required to ensure that this work is undertaken without affecting progress with other work-streams.”

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

I am going to be very brief, but I do want to just make sure that Members and the public are under no illusion that this one is slightly more challenging, not that the last issue was not challenging. I do think that this Island’s sovereignty, in terms of its tax arrangements, are important and I do understand that the difficulty that Islanders have and the frustration that they have about the cost of living - in fact Deputy Mézec raised this in his last amendment - the fact is that most digital services ... when G.S.T. was originally brought in I do accept the fact that it was not clear and the current effect is there are not proper arrangements for G.S.T. Effectively what the Minister for Treasury and Resources’ amendment has done is put forward the arrangements that Treasury want to do, and I agree with that. I think the real concern that Islanders may have is that if we attempt to apply the G.S.T., subject, of course, to the *de minimis* that we have, is that the digital services, of which I have made in my amendment a couple ... I have named a few of them. Members can see the names, it is the names of all the international brands that their tablets and their other digital services, whether they be buying digital goods, or films, all the digital services applying. I do not underestimate the difficulty that this is going to have, but I do think that it is possible to persuade even those large multinational corporations, that currently do not recognise Jersey in a drop down menu of Jersey and then apply our G.S.T. with the appropriate *de minimis*. It is almost like the conversations about consultation; if we just pass the law and said: “We are doing it” then I think the risk is that they would stop supplying to Jersey. That is why this amendment is couched in words to say that we need to go and work with the suppliers in order to do it. I think that there is going to be some new rules in the E.U. which also are important and I think that, therefore, we can do it. Now, I do think this is important, because the amount of revenue that is being lost to the Island from both this amendment and the previous one is significant in terms of lost G.S.T. But the most important thing is Islanders are not benefiting from their G.S.T. rate of 5 per cent versus the U.K. V.A.T. rate of 20 per cent. We are not benefiting from that, we have not got arrangements in place for it, and this seeks to do it. This is a long-term thing, it is not going to happen overnight, it is going to have to be a lot of work doing it, and I stand ready to go and spend time visiting these companies in the U.K. to explain what our rules are and how we can find a solution, and if we need to find them to their computer programmes to ensure that they levy the right level of G.S.T. then we need to do it. We can have a win/win here, I believe that we can continue to have those digital services to Jersey, but at our tax rates with the *de minimis* limits that we have. I think I should have called for a vote on the last one, just to make absolutely clear; I will call for a vote on this one. It is a bit more complicated than the last one, which is why it is a separate proposition. A bit more complicated to do, but I think we can do it, and I am grateful for the Treasury committing the resources. I want to make it clear that I have asked in my amendment for the resources for this to be taken from the Contingency, not to prevent any of the other work that the Treasury is doing.

Sometimes, the most important thing is the long-term work, and I have asked specifically in this amendment for that to happen, because it is important work that needs to happen for the long-term lowering of the cost of living in Jersey. I have done this in less than 5 minutes and I hope Members approve the proposition, as amended, and that we can have a quick debate, approve it, and get on with the work.

**The Bailiff:**

Is the proposition seconded? [**Seconded**]

**Deputy M. Tadier:**

Can I just check, we are on amendment 6 now, are we not, the previous one was passed?

**The Bailiff:**

Yes.

**1.6.2 Deputy M. Tadier:**

There is obviously a similar principle that is being debated in these amendments, 5 and 6. They say that personal is political, do they not, although we should not always make it about us, but it is good to speak from a personal point of view. Just to say, as an aside, if anyone, in the next few months, wants a bumper sticker with the words "Vote Mézec" on it, come and see me, because I have a big box in my office, which I ordered at the last by-election. Frustratingly, the delivery did not come down in time, I was messed around by the U.K. deliverer and so this box came down about a week after the by-election and, of course, to add insult to injury, I noticed that I had been charged V.A.T. on top of that. So, I get on the phone and say: "Can I possibly have a refund please?" They were not forthcoming with that and, of course, I was very frustrated that I had been illegally charged V.A.T., because Jersey residents should not be paying V.A.T.

[17:00]

So, I think there are 2 separate issues here. I think the first thing is to question when firms in the U.K. are summarily charging V.A.T. to Jersey residents that I do not think is allowed and there needs to be some kind of recourse there and it is, obviously, very difficult if you are dealing with a company, especially for small amounts of money, to try and get that V.A.T. back. In reality what happens is that purchasers online from Jersey just usually take the hit. The reason they buy online is because it is cheaper, even if they pay V.A.T., even if they paid for delivery and then, of course, on top of that they may be paying G.S.T. if it is over the *de minimis* when it is coming into the Island, so they are being hit, perhaps, in 3 ways. But, nonetheless, that may still be cheaper than buying local. There is, obviously, a bigger, more fundamental problem there with competitiveness and the markets of scale. But I guess, for what it is worth, I am interested in knowing why - and perhaps the Senator can say - the engagement is not taking place with the Customs and Revenue. Why is he not asking for that to take place, rather than just with the individual companies in the U.K.? We can, of course, ask the Minister for Treasury and Resources to open up a dialogue with the big firms, such as eBay, Amazon, *et cetera*, which may account for the majority of deliveries. But, of course, we know there are lots of service providers in the U.K. and it seems to me that there needs to be some kind of harmonisation out there. So, certainly from the user's point of view in Jersey, I think the user who buys online is not wanting to pay V.A.T., I do not think they are necessarily particularly asking the Minister for Treasury and Resources: "By the way, we want to be able to pay G.S.T. online, even under the *de minimis*." We were told that there is a reason we have a *de minimis*, because it is too bureaucratic and costly to collect for that and so, perhaps, the Senator can speak to those points in his summing up.

**1.6.3 Senator L.J. Farnham:**



I just want to point out that we do have to be careful here, because I have received information recently that 2 major firms have suddenly ceased to provide services to Channel Island companies; I will not name them, but both of them are providers of payment platforms for online businesses. While we are supporting our digital sector, we are encouraging businesses to set up and grow and, through our inward investment programme, to come and base themselves in Jersey. They are suddenly finding themselves unable to avail themselves of these major payment platform services because, for whatever reason, they have decided it is not worth dealing in the Channel Islands for a number of different reasons. This is concerning. This could be a real barrier to developing certain parts of our industry. While I completely agree, in fact in an ideal world - and I think the world will come to this - the E.U. and Britain will have to do something here where it becomes standard procedure that goods are subject to consumption taxes of the relevant countries when they leave and when they arrive in the country. Ideally, I would like to see all products arrive in Jersey with V.A.T. deducted and G.S.T. added on, but I think we need to do that in unison with the rest of Europe, who are our closest trading partner. So, it is just adding a word of caution to Senator Ozouf's statement. But I just wanted to let Members know it is starting to happen, businesses are starting to look at small jurisdictions such as the Channel Islands and say: "Do you know what, it is just not worth us changing our systems for a very relatively small piece of business."

**The Bailiff:**

Does any other Member wish to speak? Then I call on Senator Ozouf to reply.

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

It would have been nice if somebody from the Council of Ministers would have stood up and said something pleasant about this, or they were really behind it. But, absent of that, I am assuming that they are really behind it and will do something about it; it would sometimes be nice to hear that, but, obviously, they are silent. But, anyway, to answer Deputy Tadier's question, I think his first remarks were about the debate previously, about goods, so I cannot answer, because he was talking about the previous debate. So, I will deal with him outside on that issue and I will explain why the points that he made are valid, but this is about digital services, not about goods, which I think the bumper for Deputy Mézec was a good, not a service. The issue about firms not delivering to Jersey is, I recognise, a real issue, and that is why I agree with Senator Farnham that there is a risk that companies just pull out. Which is why I repeat, again, the remarks that I made in the opening set of remarks that I am not legislating for this; I am saying that there should be a process of consultation and explanation and I want a situation whereby that there is not a situation where Islanders are prevented from buying on certain online stores, and we can do that. Let us be under no doubt; we have got 105,000 people of a relatively high income and everything to the bottom line. I do not think those firms - some of which use Jersey and structure through Jersey for all the good international reasons, use our tax laws for other reasons - I think we need to go and talk to them. So we need to go and talk to the big computer firms and the big online retailers and do that. Why not talk to H.M.R.C.? Well, in the previous proposition I suggested that we go and talk to H.M.R.C. and what is not possible unfortunately in this one ... in the previous proposition I put in the report, as Members will have seen, a suggestion that for goods it is possible to, perhaps, have a bonded warehouse arrangement with an address that there is a certainty that the goods are delivered to Jersey V.A.T. free for those companies that refuse to comply with the rules. Members will have read that report. Unfortunately, it is not possible to have that in the virtual world, so I do not think any discussion with H.M.R.C. for an e-bonded warehouse is going to work. It is going to have to be to persuade the companies to levy the correct rate of G.S.T., which, of course, our rules must now be changed because, as the Treasury has quite rightly pointed out, there is this kind of *lacuna* about what digital services are ... when we brought in G.S.T., digital services were not quite at the scale they are. So, it is a bit more complicated, but I do not think we need a big debate. I am very pleased that the Treasury officials, clearly, have taken the opportunity, and speaking to Treasury

officials outside, I am very grateful for them to have accepted and to have advised the Minister to accept this proposition, because, I think, it is important that we start building ... we all know that digital services are going to be an increasingly important part of our lives. There are not many Members who have not got some sort of iPad tablet on their desks. That means that they are paying a subscription, that means they are paying 20 per cent, I am afraid. That means it matters and it matters to budgets and household budgets even more, because we are spending more and more online on digital services. The quicker we engage with those companies and not get them to stop delivering in Jersey and find a solution to this ... but the aim of this is to be constructive and engage in dialogue, rather than this confrontational effect which says: “You are not abiding by Jersey law, pay the tax.” That is when they will pull out. It is constructive engagement that this proposition is doing and what I would like to see, and I am delighted that it has been accepted and I call for the *appel*.

**The Bailiff:**

The *appel* is called for. I invite Members to return to their seats. The vote is on whether to adopt the sixth amendment, lodged by Senator Ozouf, as amended by the Minister for Treasury and Resources, and I will ask the Greffier to open the voting.

<b>POUR: 36</b>		<b>CONTRE: 3</b>		<b>ABSTAIN: 0</b>
Senator P.F. Routier		Senator S.C. Ferguson		
Senator P.F.C. Ozouf		Deputy M. Tadier (B)		
Senator A.J.H. Maclean		Deputy R. Labey (H)		
Senator L.J. Farnham				
Senator A.K.F. Green				
Connétable of St. Helier				
Connétable of St. Clement				
Connétable of St. Peter				
Connétable of St. Lawrence				
Connétable of St. Ouen				
Connétable of St. Martin				
Connétable of Grouville				
Connétable of St. John				
Connétable of Trinity				
Deputy J.A. Martin (H)				
Deputy G.P. Southern (H)				
Deputy of Grouville				
Deputy J.A. Hilton (H)				
Deputy of Trinity				
Deputy K.C. Lewis (S)				
Deputy E.J. Noel (L)				
Deputy of St. John				
Deputy M.R. Higgins (H)				
Deputy J.M. Maçon (S)				
Deputy S.J. Pinel (C)				
Deputy R.G. Bryans (H)				
Deputy of St. Peter				
Deputy S.Y. Mézec (H)				
Deputy A.D. Lewis (H)				
Deputy S.M. Wickenden (H)				
Deputy S.M. Bree (C)				
Deputy M.J. Norton (B)				
Deputy T.A. McDonald (S)				

Deputy of St. Mary				
Deputy G.J. Truscott (B)				
Deputy P.D. McLinton (S)				

## **1.7 Draft Budget Statement 2018 (P.90/2017): seventh amendment (P.90/2017 Amd.(7))**

### **The Bailiff:**

We now come to the seventh amendment, lodged by Senator Ozouf. I ask the Greffier to read the amendment.

### **The Deputy Greffier of the States:**

Page 2, new paragraph (e) - After paragraph (d) insert the following new paragraph - “(e) to request the Minister for Treasury and Resources to: (i) review the principle that income tax is not expected to be due on profits arising from mutual, or similar, organisations, which compete with other traders who are, or will be, subject to Corporation Tax on their trading profits; and (ii) to bring forward legislation no later than the time of the 2019 Budget to provide for the taxation of profits (or rebates, discounts, or other equivalent terms used by mutuals) which arise from mutual trading (other than by not-for-profit or religious entities set up for charitable purposes) in the 2019 year of assessment, to ensure that such entities are ordinarily subject to income tax, whatever their legal status.”

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

This one is going to be a tricky one. This is going to be a really, really tricky one because, effectively, what we are doing here - and I did not, until the Council of Ministers brought forward their proposition on retailing, and Members might say that a former Minister for Treasury and Resources should know all these things - I did not realise that mutuals were not taxed universally. I do not know how many other Members did not know that. I do not know how many other Members would have ever realised that, for example, in the United Kingdom most of the mutual building societies, which were then demutualised and became quoted companies, failed. We did not get many of them in Jersey, most of them went to the Isle of Man but, effectively, they never paid tax, because the historic concept is that you cannot trade with yourself. I have to say, from an economic point of view, that seems to be a very simplistic and curious situation. We are dealing with 2 big mutuals in Jersey: the Co-op and the Jersey Mutual Insurance Society. Those are the 2 mutuals that are providing services in an otherwise taxed environment. In the course of researching this debate, I have realised that there are insurance companies providing insurance services that are not regulated by the J.F.S.C. (Jersey Financial Services Commission) because insurance services, Members will know, is a regulated activity by the J.F.S.C. I do not really want to look around to look at them, but I know there is at least one Member of this Assembly who has got an insurance for their car that is purchased by a U.K. insurance provider, which is a perfectly valid insurance policy, but it is not regulated by the J.F.S.C. They are not regulated, they have not got a place of establishment, they are not paying tax. That has been an unintended further thing that I have had to draw to the attention of the J.F.S.C. It is a good thing, by the way, that there is more competition, but if we regulate insurance in Jersey then people providing insurance services need to be regulated. Members have now got a real problem on their hands, because what my amendment does is ask that mutuals are taxed. All the economists that I have spoken to have said: “Well, yes, of course, it is just completely wrong that mutuals are not.” The original idea as a mutual, if you are trading with yourself, you are not taxed. I declare an interest, I have got a family Co-op account.

### **The Bailiff:**

At some point I was going to deal with that. I think many Members will have Co-op accounts, or will insure with the Jersey Mutual. I, frankly, would not have thought that it was necessary to have those declared.

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

Yes, I declare I have not got an insurance policy; the last Ozouf insurance policy with the Mutual was in 1928.

**The Bailiff:**

Sorry, Senator, if I can put that the other way round: I think one should assume that all Members have got Co-op accounts, or are insured with the Mutual, because it is so common.

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

Yes, exactly. I do not think everybody has got Jersey Mutual; I think that is the slight problem. The problem is we have now been told by the Co-op that if they are taxed, their food prices are going to go up by 3 to 5 per cent. Now then, that is the problem: their food prices are going to go up by 3 to 5 per cent.

[17:15]

I know Members are not going to want to tax mutual, because they are going to want to lower the Co-op's food prices, are they not, because we have agreed 20 per cent tax. We have now got a situation of a real unfairness on our hands: we have got the Island's largest retailer, which is not going to pay tax and, therefore, going to offer its groceries at 3 to 5 per cent less than the ones that are going to be taxed. As I said yesterday, and as is going to happen, Iceland's costs of groceries are going to go up by 3 to 5 per cent. We have got a real pickle on our hands and I just do not know what to do about it. We have created another problem: an unintended consequence of now the Co-op being tax-free and, if this proposition is passed, they are going to put up their prices by 3 to 5 per cent. Members are not going to want to vote in favour of that, are they? No, they are not. They have done so on the previous proposition with the high-value retail tax. Iceland is going to go up by 3 to 5 per cent and, if we do not tax the Co-op, they are not. We have got the Island's largest grocer having a competitive advantage against the other grocery stores. What an absolute nightmare. We have created now an unlevel playing field where the Co-op is going to have to do segregated accounts because they are not, of course, a full mutual, where those customers that go in and do not give an account will have to basically pay tax at 20 per cent. I do not know how on earth they are going to do their food prices; what, are they going to have a member price and a non-member price? No, they are not. What they will do is just blend it in the overall price. It is about, so I am told, 80 per cent of people who go into the Co-op have got a Co-op account. I just do not know what to do. I know that, economically, mutuals are a thing of the past and they should be taxed, because if you do not tax them it is just an unlevel playing field. How can Iceland, Waitrose, any Aldi of the future, compete with the Co-op, on a level playing field, when one has got a cost of 20 per cent tax and the other one has not? The J.C.R.A. (Jersey Competition Regulatory Authority) would have something to say about that. That is an in-built unlevel playing field and the consequence is, as of 1st January when the prices go up in Iceland, we are going to push people into the Co-op stores. We are not going to get the tax from it, because they are not going to pay any tax. So, we have completely defeated our objective and we have created, worse, an unlevel playing field in relation to the Co-op *versus* the others. The Co-op matters, because it is the largest grocer in Jersey. It sells more groceries to Islanders than any other of the businesses; it is the biggest one: bigger than Sandpipers, bigger than M&S (Marks and Spencer), bigger than Waitrose and bigger than the others. We are going to push all Islanders, who want to save money, reduce costs, into the Co-op, on an unlevel playing field. I am afraid I cannot live with that. I have brought the Competition Law to the States, I have set up the J.C.R.A. because there was unfairness, unlevel

playing fields. Economies and markets only work with level playing fields. If we are going to tax one, we are going to tax the other; I am sorry about that, but that is only fair. The fair and right thing to do is to, basically, now deal with this historic out-of-date concept that you do not tax mutuals. It is not about trading against yourself. It is a real problem, but it is an unfairness and it has got to be fixed. I move my amendment and I say to Members: I am sorry to ask them to do it. If they want fairness, they have got to tax businesses and nobody can say the Co-op is not a business; its profits are going into other activities and welcome developments like the new hotel that is being opened. It is a business. I am afraid I, as a shareholder, am not investing in the business, having risk capital and all the rest of it. The Co-op is a business; it is not a credit union, it is not some charity, it is a business. If you are going to tax one business which is competing with another business on a level playing field, then it has got to pay tax. If Members are going to say it is going to be 20 per cent retail tax, then they have to tax the mutuals on the same basis. I make the proposition.

**The Bailiff:**

Is the proposition seconded? **[Seconded]** Does any Member wish to speak? Minister for Treasury and Resources. Sorry, I thought you pressed your button. I beg your pardon. Does any Member wish to speak?

**1.7.2 Deputy A.D. Lewis:**

We were sent a very interesting letter from one of the directors of the Co-op, and I am sure Members have had a chance to read it. One bit of it caught my eye, particularly, and it is basically that for every time Members shop, as I am sure you all have your Co-op divvy number, you are putting money into the business that has already been taxed, so you are paying tax twice. That is the way the Co-op see it and I see its logic in that. I think we should be very proud of the Co-operative society we have in Jersey, the Channel Island Co-operative Society, it is quite unique; the Co-op Society in the U.K. is quite different and, if it had not been for the Co-operative Society in Jersey, I do not think we would have had the type of grocery supplies we have had for many years, before others took an interest in our now more buoyant economy. If you go back many decades, it was not quite like that. Certainly, for my family, and many others back in the 1970s and 1980s, and maybe before that as well, the Co-op van coming round to the house back in the 1960s and 1970s, would not have had the price of food that they did have then. We have got the Co-op to thank for that. The idea of mutuals was quite visionary in its day; it was socialism, almost, at its best, not that I am a great fan of socialism, but that was one of its better attributes. Risk that at your peril. I think Jersey should be welcoming that and should be protecting it. I accept and understand what Senator Ozouf is saying - it is not a level playing field - but I would urge Senator Ozouf, if he has not thought about this already, to bring an amendment to the Treasury proposition of a 20 per cent retail tax, to reduce it to 10 per cent. I am sure he will be doing that. You can bring back another amendment in 3 months' time, and I would suspect that you will.

**The Bailiff:**

Through the Chair, Deputy.

**Deputy A.D. Lewis:**

Sorry, Sir. That is possibly a solution, because I accept there is an imbalance here for the Co-op is paying G.S.T., its employees are paying 20 per cent, some of them, in income tax. There are other entities and businesses that do pay tax. The Premier Inn, operated by Premier Inns, will collect G.S.T. and their staff will pay tax. So, yes, they do pay some tax, but I do accept that it is not a level playing field. We do not live in a perfect world. We have heard earlier on, we do not have a perfect tax system but, if your largest mutual in Jersey is not broke, do not try and fix it. I think it is a conundrum with which you meddle at your peril. I think we should be proud of it, we should

be trying to help it and return further dividend to Members. I can tell you, as it is run like a business, very successfully, you may well not see increases in food prices, I suspect you will see decreases in dividend. Your double-divvy days will be gone. There are 70,000 members of the Co-op Society across the Channel Islands; I do not think that will be a vote-winner. That is what they would do. I would say to Members approach this with extreme caution. I understand where the former Minister is coming from, but I do not think it is a good idea. We do not have a perfect system and this is not a perfect solution to an improper and imperfect issue we have across the board with retail taxes being put forward by the Minister for Treasury and Resources. It is not perfect. I would find it very difficult to support this proposition on the basis of what I have heard so far, and I would urge Members extreme caution with this proposition. I will hear what else the Senator has got to say, but, at the moment, I am afraid I cannot support this.

### **1.7.3 Deputy S.M. Brée:**

Very quickly. As with the Senator's previous amendment on reducing retail tax from 20 per cent down to 10 per cent, when I first read this, I did wonder, again, if we had had successful lobbying from the Jersey Retail Association on the basis that, if we are going to suffer tax, so must the Co-op. The problem is, what this attempts to do is go against a longstanding principle: a mutual is a mutual for a reason, that it returns profits to its members through dividends, because it trades with its members. If you are a member and you go into the Co-op, you are, effectively, trading with yourself. Universally, it is accepted that mutuals stand outside normal tax legislation on profits on company activities, and it is accepted that is the case. The Co-op Society of the Channel Islands is a very important part of a lot of people's economic planning, because of the fact they do get a 4 per cent dividend returned to them on the purchases they make in the shop. It is very different from the likes of Iceland, Waitrose, Tesco through Alliance, because what happens there is that shareholders receive a dividend on profits. Those shareholders may be anywhere in the world, so the Co-operative Channel Island Society is returning to members dividends, because mutuals do that. That is the basis of them. They are not a for-profit organisation, because they are looking to give back to their members. As I said, there is a universal tax position of mutuals where you cannot tax somebody who trades with themselves, and that is what a mutual is doing; it is not a for-profit organisation. Because of that fact, I think we should all consider, let us reject this amendment and move on to more important matters.

### **1.7.4 Deputy M.J. Norton of St. Brelade:**

I find myself in the position of agreeing with Deputy Brée and agreeing with Senator Ozouf, and we are, indeed, in something of a pickle here. I wonder now how many of those who, yesterday, rejected the reduction of 10 per cent down to 10 per cent retail tax from 20 per cent, are now regretting that in some way when they look at where we are today; perhaps some, perhaps some not. The Minister for Treasury and Resources, certainly, is delighted, but I think we are in a very difficult position here: we are creating, as the Senator has already said, an uneven playing field for supermarket wars. Nearly 20 per cent of our population shops at Iceland; that 20 per cent is going to have an unfair disadvantage. We are in difficult waters here when we start taxing one supermarket and not taxing another. I am loathe to put a tax on a mutual, as I agree with my colleague Deputy Brée, but I am very uncomfortable about having an uneven playing field.

### **Senator P.F. Routier:**

I propose the adjournment, Sir.

[17:30]

### **The Bailiff:**

There is a murmur of nos against that, Senator. Is there a view we should adjourn now? All those in favour of adjourning now, please stand and show. **[Laughter]** Very well then, we will continue. Does any other Member wish to speak?

**1.7.5 Deputy M. Tadier:**

Am I missing something? It is just asking for a review. We know that we have not got enough reviews going on at the moment, so we could probably do with another one. I just popped out, and it sounds like the Treasury number crunchers are quite happy to do the review.

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

A point of order, Sir. There are 2 parts to this proposition: one is a review and, secondly is to request the Minister to bring forward the legislation.

**The Bailiff:**

I was going to ask you that, Senator. If the review is carried out and it is decided that it is the principles that ought to be maintained, the Minister still, nonetheless, is charged to bring forward the legislation, is he?

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

I was going to seek guidance from you, Sir. It is printed in a way that it has got 2 parts to it, and I was going to ask for a vote on 2 parts. I should have made that clear from the start, or find out whether or not that was possible. Because my other amendments, of course, were numerical titles, and you are quite right, that it has got 2 parts to it: there is the review and there is the decision, and I will be asking for a vote on each part. Presumably you will allow me to do that.

**The Bailiff:**

Yes, I will.

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

Thank you, Sir.

**Deputy M. Tadier:**

Sorry, was the upshot of that they can be taken separately?

**The Bailiff:**

They are going to be taken separately.

**Deputy M. Tadier:**

That is good, because I think otherwise, the way it is worded is not helpful. It is problematic; of course, part (ii) seems to pre-presume the outcome of (i), and I do not think we can support (ii) at all. I think we can ask for a review to look into these issues; that seems reasonable. The reason I stand is that I do not know a lot about these mutuals and I never really thought, before today, of the Co-op as a mutual; most of us do not go round saying: "I am going to the Mutual today" they say: "I am going to the Co-op." You know when you buy something you get your 4 pence stamp and you get your 4 per cent back at the end of the year. No doubt that is figured into their pricing structure anyway. But there is, of course, the other mutual, the insurance mutual, and it just made me recall that a few years ago, and I will not name the individual, but he stopped me in the Royal Square. We would often have a chat about politics; we did not always see things from the same point of view, but he was involved with the Jersey Insurance Mutual and said to me: "It is absolutely crazy that a few years ago, before the introduction of Zero/Ten, we would have paid X amount of tax and now we do not." I am sure that is what I recall him saying, but if that is not the case, he certainly talked to me about the fact that he knew and was involved with the insurance

mutual and he said: “We make money, but we do not pay any tax on it.” I think that must have been the upshot of the conversation. I thought: “Okay, that is strange.” It seems to me that, in fact, we have something, whether it is a mutual, or not, and it is effectively one supermarket paying tax, the other one not paying tax, and that is a fundamentally-flawed issue and I think it needs to be looked into. Obviously, these different points of view can come out during the review. Deputy Brée has said, just a few moments ago, speaking against the fact that we should have a review; I think we should have the review and he and other people should contribute through that.

#### **1.7.6 Senator A.J.H. Maclean:**

I would like to just make a few comments, if I may. Senator Ozouf was getting very excited a few moments ago, and I think was quite confused, as well, in a few areas. I would just like to address some points. It is about the unfairness that he kept talking about and I think one, or 2, other Members have also mentioned unfairness of taxing certain large retailers, as we have now proposed, and not taxing the Co-op, because it is a mutual. I think the Senator is forgetting that pre-Zero/Ten that was exactly the situation: companies paid tax in Jersey but the Co-op, as a mutual, did not, so you had that situation previously. Currently, what we are proposing moving to is with a 20 per cent tax on the largest retailers the Co-op will be in no different a position. In fact, the advantage, one might say, is it is not a question of being unfair, it is creating a competitive environment. On top of that, you have got a situation, where small and medium-size businesses, which are providing food, retail and other services, trading with profits below £500,000, will also be providing the competitive environment to help mitigate any proposed rises. Senator Ozouf talks about 3 to 5 per cent from his research that he has undertaken speaking to retailers. Of course, they are going to say they are going to be putting up prices by 3 to 5 per cent, because it is not in their interests to be taxed, so it is not surprising. We have also got the evidence from what has happened in Guernsey, as I mentioned yesterday. It is absolutely clear, from official statistics in Guernsey, that they have had a retail tax there of 20 per cent and they have seen food prices fall by 2.5 per cent. There is very much a mixed messaging going on here, and I think it is just important to focus on the facts and, in particular, remember that pre Zero/Ten the Co-op was not paying tax in Jersey, but other retailers were paying tax. You might describe that as being unfair; nevertheless, that is the way it is. It was, and is, also exactly the same as is the case in the United Kingdom at the moment: tax there is 19 per cent. Of course, mutuals in the United Kingdom do not pay tax either. It is the same position. It is not a matter of unfairness, it is just a matter of fact, and it has been a situation for many years and decades. I would just like to bring some clarity, hopefully, to draw this debate to an early close. The position of the Council of Ministers on this amendment was that, read strictly, and I am delighted that there is clarification now on the fact this can be taken in 2 parts, it was predetermining the outcome of a review. We think a review into the situation with mutuals is a good thing; we are not opposed to that at all; we agree with Senator Ozouf in that respect. What we did not agree with was that he was asking in his proposition, if it was taken as a whole, that we predetermine the outcome of that review, and that would be, clearly, the wrong thing to do. On that basis, we were going to reject his amendment. It has now been clarified it can be taken in 2 parts and I would recommend that Members accept the first part, the review, but reject the second part, which is that we should take any action before the outcomes of the review are known. I was going to talk, in some detail, about other aspects, but I think I have made the salient points with regard to this one, and I would just simply urge Members to reject the second part of the Senator’s amendment, which is clearly laid out.

#### **Deputy M.J. Norton:**

Sir, could I seek a point of clarification from the Minister for Treasury and Resources? He talks of the official figures from Guernsey. Could I confirm that the official figures that he has from Guernsey, where the rate went up, were official figures from Sandpiper and from the Co-op? Were they their official figures? Did they confirm that they had not put their food prices up?



**Senator A.J.H. Maclean:**

I do not think that retailers' figures are going to be what one would describe as official government figures. I was referring to official government figures, which are the statistics produced by Guernsey which highlighted what had happened with retail prices, in particular food prices, and all the other elements within the economy, and they have seen those prices fall by 2.5 per cent in 2016. That is what the figures show. Why are those any less reliable than those of individual companies who, quite frankly, are not going to want to say anything other than the fact they are going to put their prices up? They do not want to be taxed, do they? Why would they say anything to the contrary?

**The Bailiff:**

If no other Member wishes to speak, I will ask Senator Ozouf to reply.

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

I think the Minister for Treasury and Resources has just confirmed exactly my worst nightmare: he does not understand competition, he does not understand the level playing field. He has taken the assumption of the Guernsey R.P.I. figures, which we all look at and scratch our heads over, when we know the impact of Brexit on food prices, and we know that Guernsey pockets are showing it, and Jersey prices, because it is a Channel Island approach to Channel Island businesses who put up the price of food, and the official statistics say that food prices have fallen. I do not understand why the Guernsey R.P.I. figures show something different, but what I do know, and I can say to Members what the companies concerned in Guernsey have done in relation to their response to the 20 per cent corporate tax. Of course, Guernsey is different because it has not had G.S.T., but effectively now they have got the equivalent of almost a Treasury G.S.T., because they are paying their 3 to 5 per cent, but not the Co-op. Going back to the debate, effectively, we have now got a situation, if Members go ahead and tomorrow approve the 20 per cent corporation tax and enact the decision that was made in principle yesterday, we have now created a complete unlevel playing field. I realise that it would be entirely wrong. I have had to ask to put my proposition in in 2 parts, I was trying to rush the explanation because we are, obviously, not wanting to debate stuff in things, but I hope Members have read it. I did it on purpose. I said a review and I almost said "part B", because I thought that I might have been successful in my 10 per cent yesterday, but I have not been. So, now, I almost have to ask Members to really think overnight about what they are going to do, because they are going to have to review mutuals. They have now realised that there is a problem with mutuals. It is an unlevel playing field and I can accept the small business argument and I can accept that, but most people buy their groceries, every household in Jersey and Guernsey buys their groceries from companies that are affected by the 20 per cent from the big retailers. We do not have little small companies anymore, there are not many of them left, all of them, I suspect that 95 per cent, or probably more, of the family budget that is spent on food and groceries is by companies that are going to be affected by the retail tax. We know what happened in Guernsey, because they told us and you can go and look, if Members do not believe me, they can go and look at the price levels today. They can go and get on a plane, or a boat and go to Waitrose, or Iceland, or the other Sandpiper stores, *versus* the Co-op, and look at the prices of the goods. Because I know what I am talking about, I bring forward propositions having done my research. The Minister for Treasury and Resources, all he can say is he is relying upon the official statistics of the R.P.I. figures, which we are all scratching our head and saying: "What? Brexit. Food prices. Commodity prices. The official statistics show the price of food has gone down?" There is something wrong with it. I know the facts and the facts are that food prices have gone up by 3 to 5 per cent in Guernsey, if you are not a mutual. So, Members have a real problem on their hands tomorrow: do they go ahead with the 20 per cent, or do they put it off alongside this review of mutuals? They have a problem and the Treasury has a problem; the Treasury has a real problem. I

hope Members are going to accept a review. I think they have realised that there is a problem. Mutuals are not big issues in the U.K. anymore, because most of them have been demutualised, even charities, not-for-profit organisations, things like credit unions, nobody is suggesting those should be taxed, of course not. It is businesses that are proper businesses that act like businesses. Deputy Andrew Lewis says the Co-op is a great institution. I agree. Is it not fantastic they have made, because of their zero corporate rate of tax, they have been able to make enough extra profit to invest in our hotel industry, something that the Minister for Economic Development will be delighted on. They have done it, because we had zero rate of tax. We had a hard time with zero rate of corporate tax being brought in, but maybe Members now might realise that there might have been an alignment of interests when we brought in zero rate and our high street did not disappear and we put economic stimulus and we looked after the economy. Those Members, Reform Jersey, who have criticised and say that we run a Ponzi scheme, maybe they need to think again. Jersey has a successful economy but, my goodness me, we have made some difficult decisions and we are just about to make another difficult decision. The difficult decision is, I accept, I do not think for a moment that Members are going to vote for part (ii) of this; frankly I have to, because I brought it and because we have the 20 per cent I have to put people on a level playing field. All my political life I have believed in a level playing field. To create an unlevel playing field for families to decide whether to go to one supermarket *versus* another, because one has a competitive advantage, because they are going to pay tax and the other one is not, is just simply wrong.

[17:45]

So, I make my amendments with a really heavy heart. I do not want to have to ask Members to do this but they are going to have to do the review and if they want to go ahead with their 20 per cent corporation tax tomorrow, then they should tax the Co-op on the same basis. But I know they are not going to do it. I move for the *appel* on both items, part (i) and (ii) in a separate vote.

#### **The Bailiff:**

I will ask Members to return to their seats. The first vote is on part (i) of Amendment 7; that is the proposition for a review of the principle that income tax is not expected to be due on profits arising from mutuals or similar organisations, and I ask the Greffier to open the voting.

<b>POUR: 34</b>		<b>CONTRE: 5</b>		<b>ABSTAIN: 0</b>
Senator P.F. Routier		Connétable of Grouville		
Senator P.F.C. Ozouf		Deputy G.P. Southern (H)		
Senator A.J.H. Maclean		Deputy K.C. Lewis (S)		
Senator A.K.F. Green		Deputy M. Tadier (B)		
Connétable of St. Clement		Deputy S.Y. Mézec (H)		
Connétable of St. Peter				
Connétable of St. Lawrence				
Connétable of St. Mary				
Connétable of St. Ouen				
Connétable of St. Brelade				
Connétable of St. Martin				
Connétable of Trinity				
Deputy J.A. Martin (H)				
Deputy of Grouville				
Deputy J.A. Hilton (H)				
Deputy J.A.N. Le Fondré (L)				
Deputy of Trinity				
Deputy E.J. Noel (L)				
Deputy of St. John				
Deputy M.R. Higgins (H)				

Deputy J.M. Maçon (S)				
Deputy S.J. Pinel (C)				
Deputy of St. Martin				
Deputy R.G. Bryans (H)				
Deputy of St. Peter				
Deputy A.D. Lewis (H)				
Deputy R. Labey (H)				
Deputy S.M. Wickenden (H)				
Deputy S.M. Bree (C)				
Deputy M.J. Norton (B)				
Deputy T.A. McDonald (S)				
Deputy of St. Mary				
Deputy G.J. Truscott (B)				
Deputy P.D. McLinton (S)				

**The Bailiff:**

The Greffier will reset the system, we will move to part (ii), which is the resolution to request the Minister to bring forward legislation no later than the 2019 Budget to provide for the taxation of profits of mutuals and I ask the Greffier to open the voting.

<b>POUR: 3</b>		<b>CONTRE: 36</b>		<b>ABSTAIN: 0</b>
Senator P.F.C. Ozouf		Senator P.F. Routier		
Deputy J.A. Hilton (H)		Senator A.J.H. Maclean		
Deputy S.M. Wickenden (H)		Senator A.K.F. Green		
		Connétable of St. Clement		
		Connétable of St. Peter		
		Connétable of St. Lawrence		
		Connétable of St. Mary		
		Connétable of St. Ouen		
		Connétable of St. Brelade		
		Connétable of St. Martin		
		Connétable of Grouville		
		Connétable of Trinity		
		Deputy J.A. Martin (H)		
		Deputy G.P. Southern (H)		
		Deputy of Grouville		
		Deputy J.A.N. Le Fondré (L)		
		Deputy of Trinity		
		Deputy K.C. Lewis (S)		
		Deputy M. Tadier (B)		
		Deputy E.J. Noel (L)		
		Deputy of St. John		
		Deputy M.R. Higgins (H)		
		Deputy J.M. Maçon (S)		
		Deputy S.J. Pinel (C)		
		Deputy of St. Martin		
		Deputy R.G. Bryans (H)		
		Deputy of St. Peter		
		Deputy S.Y. Mézec (H)		
		Deputy A.D. Lewis (H)		
		Deputy R. Labey (H)		
		Deputy S.M. Bree (C)		

		Deputy M.J. Norton (B)		
		Deputy T.A. McDonald (S)		
		Deputy of St. Mary		
		Deputy G.J. Truscott (B)		
		Deputy P.D. McLinton (S)		

**The Connétable of St. Clement:**

Before the adjournment, would you mind if I just drew attention to Members that we still have one more amendment to the Budget and once that is dealt with we then have the Budget debate itself, then we have the Finance Law debate, and then we have some 5 items of Public Business, which 3 of them, at least, I think we can say, are fairly major. I suspect we are going to struggle to complete business tomorrow. Therefore I would ask Members to think overnight, if that happens, if we are not able to complete business, and when we would like to meet again to complete the business that is on the agenda, or if Members have items that they might want to defer until, possibly, the New Year, because the next sitting is also going to be at least 3 days. I just draw that to Members' attention, thank you.

**The Bailiff:**

The States now stands adjourned.

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

May I make a proposal? Would it be appropriate, if we do have time problems, then would it be appropriate to suggest that we start earlier tomorrow and have a constrained lunch time period to get through more work?

**The Bailiff:**

The proposal, is that seconded? **[Seconded]** Let us not have a debate on that, but would those Members in favour of starting at 9.00 a.m. tomorrow and a constrained lunch hour please stand? I think there was enough. The States stand adjourned until 9.30 a.m. tomorrow morning.

**ADJOURNMENT**

[17:48]