

**WRITTEN QUESTION TO THE CHIEF MINISTER  
BY DEPUTY G.P. SOUTHERN OF ST. HELIER  
ANSWER TO BE TABLED ON TUESDAY 18th JANUARY 2011**

**Question**

Following his response to an urgent question on 12th December 2010 on zero/ten, will the Chief Minister inform members what communication, if any, he or any of his Ministers have had with either H.M. Revenue and Customs, the UK Treasury or Lord McNally, the Minister responsible for relations with the Channel Islands and will he reveal the content of those communications?

If only the deemed distribution provisions are harmful, will he give members a full list of the mechanisms he and the Minister for Treasury and Resources have at their disposal to replace the “deemed distribution rules” that were proposed to recoup up to £15m of taxes from locally owned non-finance companies under the “zero/ten” regime?

Will he further inform members how such mechanisms would not breach Articles 1 and 2 of the Code in offering advantages only to non-residents and ring fencing those advantages from the domestic market?

**Answer**

Communications between governments are confidential and so will not be revealed. Members have however been provided with a detailed report setting out all of the issues in relation to the Code Group’s assessment of our business tax system <http://www.gov.je/Government/Pages/StatesReports.aspx?ReportID=495> A copy of the briefing that was given to the Code Group when it met on 19th November 2010 has also been circulated. These two documents set out the information very clearly.

The deemed distribution rules were not introduced to “recoup up to £15m of taxes from locally owned non-finance companies”. They were introduced as personal tax anti-avoidance provisions, with the support of the UK. Anti-avoidance measures apply in most countries where there is a difference in rates of taxes.

As stated in the response to the urgent question on 10th December 2010, the Code Group recommended, and ECOFIN agreed, to ask the High Level Working Party on tax issues to consider the scope of the Code and in particular the extent to which personal tax matters fell within that scope. We will be engaging with HM Treasury once the outcome of that review is known, to discuss what action Jersey should take.

Also once the outcome of that review is completed and we fully understand the scope of the Code and the implications to the 0/10 regime, we will be in a position to consider and if necessary develop realistic alternatives. It would therefore be unwise and a waste of resources to develop a list of speculative alternatives before knowing the constraints that we are expected to work within.

Whatever alternative measures are introduced, full consideration will be given to the articles within the Code, as well as the findings of the High Level Working Party, to ensure that such measures comply.